NARCO KARABAKH

INSIDE THE GLOBAL NEXUS OF TRANSNATIONAL CRIME

Harrold Cane

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for transnational crime

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AUTHOR'S NOTE

Impartiality is difficult to maintain when one is faced with such extraordinary maleficence. I tried. The process that led to *Narco-Karabakh* began with a visit to a safe-house, for an entirely different project. 'Women at the Well' takes its name from a gospel story in which Jesus meets a woman at a well who is living in an "irregular" relationship, and he refuses to judge her for it. From the outside 'Women at the Well' looks like just another anonymous hotel, situated in one of the banal side roads near a railway station in London. Instead this represents a facility that offers care to sex workers in King's Cross, one of the British capital's most notorious red light districts.

As we spent time there, a pattern emerged from among the grim tales of suffering. They were not unusual stories in themselves. What was strange were the connectives that linked so many. The nation of Armenia and the disputed territory of Nagorno-Karabakh. These small areas of the former Soviet Caucasus provide an unusually high proportion of working girls. Even higher among those who spoke of the horrors that they had faced.

We discovered so many teenage prostitutes who had found themselves spirited to a foreign city, far from home, bought and sold, drug-addled and left to rot as they earned money for their owners. They hailed from the Caucasus and had been sold, kidnapped, and tricked into brutal modern day sexual slavery.

Over the course of this project, its narrative widened considerably. Throughout this 18 months we have delved into human trafficking, money

laundering, the illegal arms industry, gold smuggling and global corruption. Investigating these crimes has taken me, among others, to major capitals like Madrid, Moscow, Doha, Beirut, Paris, Washington, Sofia, Baku, Istanbul, Kabul and Tbilisi. We visited Yerevan and Stepanakert on multiple occasions. I spent weeks in Nagorno-Karabakh, posing as an off-the-grid tourist in order to obtain access to remote areas that one may not otherwise be allowed to visit. During that time we were often under threat of discovery, not least the time we were observing Afghan heroin being spirited across the Nagorno-Karabakh-Iranian border, under the watchful eye of the Revolutionary Guard.

Organisations as diverse as the United Nations Entity for Gender Equality and the Empowerment of Women, Amnesty International, Transparency International, Human Rights Watch Arms Project, Foundation for Environmental Education, Bill & Melinda Gates Foundation and Stockholm International Peace Research Institute, were among the organisations whose expertise fed into our research.

Dozens of individual sources came forward with vital information. Some interviews were on record. Others were conducted under the prerogative of 'deep background'. That is to say that many of those talking with me, first hand participants and witnesses to these events, continue to be in a position where their cooperation represented either personal danger to themselves, or was contrary to the parameters of their employment, or status. As often as possible the information I received from them was cross-sourced and/or triangulated.

In several cases, at the request of those whose personal narratives actually featured in the book, I have protected identities by altering their names. *Narco-Karabakh* plunges into a murky world of international crime organisations and kleptocracy. In several cases, adapting names has been necessary to prevent those who have had the misfortune to have their lives wrapped in these events, having their deaths wrapped in them also.

For the purposes of clarity, throughout this tome I refer to the internationally-accepted name of Nagorno-Karabakh and use the unrecognised moniker of Artsakh only where editorially appropriate. Conversely, I will refer to the largest town in Nagorno-Karabakh as Stepanakert. This is not the official name of the town. It was founded as Khankendi and reverted to this historical title when Azerbaijan regained its independence. However, over the last quarter century, the name Stepanakert has seen wide usage and is therefore utilised here.

For Christina.
No more after you.

INTRODUCTION

Welcome to Yerevan, capital of the Republic of Armenia. Welcome to Charlotte Cabaret. Welcome to hell. Christina leans forward so that her naked breasts are touching my face. She smiles. But even in the gloom of a dingy club it is possible to see that there is nothing behind it. Her eyes are glazed over.

"Do you want to go into the other room with me?" she asks, making sure there is more contact with my face to, surely, seal the deal.

I have browsed through the nicely printed menu that was left handily on my table, which details what services I can expect. I can take a girl to my hotel for the night for a mere $500. And Christina has whispered into my ear, while gyrating her body on mine, the fleshy extras that are on offer in-house. On this night, however, Christina will get more than she expected, which would have been to deliver a $50 blow job in a curtained-off backroom in seedy Charlotte Cabaret, or submitting all of herself to me for just $100.

Instead, with $200 paid up front now, and a promise of $200 more, no sex involved, Christina agrees to meet me for coffee the following morning. Just to talk.

She arrives at 11 looking blurry eyed. Her shift finished as Charlotte Cabaret closed at 6am. Eagerly tucking into a muffin and strong Turkish coffee, she is only too happy to explain her situation.

Being 'bought' from her impoverished family in Vank, a small town in

Nagorno-Karabakh, aged just 16. Introduced to heroin as part of the process of guaranteeing acquiescence. Quickly becoming an addict. And then, for six long years, being passed between disgusting men at disgusting clubs like Charlotte Cabaret.

She endured a brief stint in Greece. Yet, even in her drug-addled state, despite regular beatings from her owners, she disliked these foreign men, their unkindness and their penchant for rough, anal sex, even more than she hated her own countrymen. Eventually keeping her in Athens was more trouble than it was worth.

She was returned home. Kind of. Because Yerevan remains alien to her. The peaceful life of her small town seems a long way away now. Since Greece she has toiled in the Yerevan night for more than half a decade. She has lost count of the number of men she has serviced. She does not think she is going to hell. She says that she is in it already.

Despite the unrelenting demands upon her, Christina has grown into a pretty young lady. She is popular. Including earlier with the man who lived over the road from Charlotte Cabaret. She does not mention him by name, but as I leave that club in the morning hours we see his former residence, the well-lit Presidential Residence.

One can see the flashy neon lights of Charlotte Cabaret from the President's official home. The previous incumbent used to welcome Christina and some of her colleagues occasionally. The present resident has not. Either way, both are aware of the club and its function. Yet they allow this place. And Omega.[1] And the California. And all the city's sex joints that continue to flourish.

As for Christina, she has earned a pittance, especially after deductions made for her drug use. For her efforts she is subject to regular beatings from her owners, and from violent, drunk customers who consider the few Drams they pay to be fair price for degrading her to the point of her becoming little more than meat.

She shows me the scars from her injuries.

She even pulls down the top of her jeans to show me the red cuts from her two abortions. These were required when she was sold for sex, specifically without a condom. Something which happens often. Some punters do not like

to use latex. They like to feel flesh. For good measure, Christina's meagre percentage from her earnings — she gets a quarter — were deducted for the cost of her abortions.

Welcome to Yerevan, capital of the Republic of Armenia. Welcome to Charlotte Cabaret. Welcome to hell.

It was while researching an entirely different subject that I stumbled upon Nagorno-Karabakh. Looking further into it, a long-standing 'company' contact, a former station chief post-Yugoslavian space and, in more contemporary times, still based in Eastern Europe, name-dropped and hinted at the scale of wrongdoing over kippers at the St. Pancras Renaissance in London.

His ire had been drawn by an inability, even for his own esteemed organisation, to break a particularly intractable problem. Nagorno-Karabakh was, of course, nothing new. A century of dispute over ownership, Soviet gerrymandering, Russian geopolitical meddling, a bloody war, genocide, occupation and, amid a not-so-frozen conflict, the emergence of a self-proclaimed pariah, the Republic of Artsakh.[2]

Indeed, so-called Artsakh is so toxic that even other illegal states have not recognised it, the diplomatic reciprocity that exists between other guerrilla regions being entirely absent. Armenia, which supports, sponsors and backs militarily the breakaway territory in its pursuit of a 'Greater Armenia' has, perhaps surprisingly, also declined to provide all diplomatic cover.

The Sahrawi Arab Democratic Republic, Abkhazia, South Ossetia and Somaliland, four "fine" examples of those fighting for the oxygen of international recognition, have all won more global support for their ambitions. After a quarter of a century of voicing claims of independence, the pariah Nagorno-Karabakh regime remains an unloved, illegitimate child.

What was new to me, however, was my American friend's sense of frustration. His latest appointment had placed him, geographically speaking, at the centre of a problem that was now his. Europe's eastern boundaries, porous at the best of times, had seen a surge in nefarious activity. He knew from where much of this emanated – the international community's dark secret. Its bastard.

Located at a useful juncture between Asia and Europe, especially as it does, sitting between the heroin heartlands of Afghanistan and lucrative opiate-consuming markets of the West, Nagorno-Karabakh represents a grey area.

The United Nations Security Council adopted four resolutions regarding Nagorno-Karabakh confirming the occupation of Azerbaijan territories. Resolutions 822, 853, 874 and 884 call for the withdrawal of Armenian troops from Kelbajar, Agdam, Fizuli, Jabrayil, Qubadli and Zangilan.

The United Nations General Assembly adopted a resolution on March 14th, 2008, reaffirming the territorial integrity of Azerbaijan and underlining the inalienable right of the Azerbaijani population to return.

Controlled by Armenia, yet somewhat beyond international oversight and law enforcement as, in legal terms, it is occupied and belongs to Azerbaijan, this territory has fallen through the cracks.

Over the last two decades, these stunningly beautiful lands have steadily emerged as ground zero for a growing segment of global crime. For Afghan and Pakistani drug barons, Chinese and African human traffickers and slick Western arms dealers, Nagorno-Karabakh has become an operating base of choice, a clearing house for dastardly global crime.

Since that fateful encounter in London, my friend and I have delved into the murky world of transnational crime and learned an unedifying truth.

Visits to Stepanakert and Yerevan have been sandwiched between trips to Pakistan, Sudan, Turkey, Spain, Britain, Bulgaria, Georgia, Djibouti, Eritrea and others. We have interviewed senior representatives of Western law enforcement and had meetings with government officials from nations as diverse as Sri Lanka, the Czech Republic and Azerbaijan. A clear picture began to emerge.

The era of nation-centric crime is over, Westphalian states swept away by global crime syndicates that care nothing for traditional nation boundaries and with little care for the legal, military or socio-economic considerations of legitimate countries.

They work without boundaries, in a parallel universe where delivery of narcotics and arms, and people trafficking, is governed through their own

accommodations, without recourse of state authority and operating fully outside the context of global agreements and law. Neither do they recognise national borders, except within the context of freedom to operate.

Nagorno-Karabakh and its 'frozen conflict' may seem remote, but when viewed through that post-Westphalian prism it is possible to see the territory as, perhaps, the most valuable real estate in the world, an operating base from where the world's criminal elite have been given a free pass.

Crime groups have discovered the unparalleled freedoms that are provided by a remote territory on Europe's doorstep, one lacking connectivity into global law and order, a corrupt political class, and cover provided by Stepanakert's godfathers in Yerevan.

Narco-Karabakh traces the rise and rise of an international crime hub. Beyond that, however, it sheds light upon a corrosive cancer of opiate abuse, conflict and sex-trafficking that Nagorno-Karabakh is helping to spread across the world.

Even amid her exhaustion and her drug taking, Christina found her emotions as she spoke to me in that quiet café in downtown Yerevan.

But she sobbed not for herself. Her life, she explained, was over now. She longed not to return home to her village in Nagorno-Karabakh. Her family, the ones that cruelly sold her into this life, would not now accept her, because of the life she had led and the things she had done. She was used up. Worthless.

She cried for all the new girls who were around her now at Charlotte Cabaret. Many would find themselves spirited to London, or Madrid, or Paris, or Bonn. When there they would be sexually abused into oblivion by the same ilk of men who had defiled Christina in so many innumerable ways.

Others would be provided to politicians and officials, their bodies part of the price that the mafia and its pimping operation pay for the authorities looking the other way to what goes on. Along with cash payments. Of course.

After six long years Christina knows too well the inhumanity that awaited the new girls around her, and the almost indescribable life of pain and degradation that lay ahead.

Yet she could not bring herself to warn them. Resisting their fate would lead

to the same endless bouts of beatings and threats that she had herself endured. Better to go along with it. Make the best of it.

On this pleasant autumn day in Yerevan, we sat outside a café and sipped at bitter-sweet Turkish coffees. A gentle breeze tickled her attractive blonde curls. The trees were giving up their leaves of many shades. It was almost romantic.

Yet as Christina unburdened herself of her story, almost impassively, as though looking from afar at the miserable life of a different being, I myself cried, even as I resolved to shed light on her story and those who are already following her.

Welcome to hell.

Harrold Cane
London

ONE

A-NOT-SO-FROZEN CONFLICT

Frankly, I would expect more hoopla. Five hours into our marathon journey across the poverty-stricken rural depths of Armenia, as we traversed rolling mountains, we crossed yet another mountain ridge and sped down into a gully.

Amid the grey and brown expanses, a single road sign.

The flag of the unrecognised Republic of Artsakh. Under it reads a sign. 'You are entering Artsakh'. Each side there was an inverted car tire that has provided the base for a fire. All around are strewn cigarette butts, discarded plastic bottles, beer cans, food wrappers and other detritus.

It is all a little underwhelming. This was a territory that they fought six years for. Some 30,000 Azerbaijanis died for this.[3] Some 6,000 Armenians died for this.[4] Almost 100,000 were injured.[5,6] In Azerbaijan, a quarter of a century on, almost a million Internally Displaced People remain in limbo,[7] awaiting an opportunity to return home.

Despite all this suffering, one scruffy, unkempt road sign is all that marks the border of this hard-won and even harder-held territory.

A ramshackle tea shop sits a few yards away. A citizen of the unrecognised Artsakh sits impassively, hopeful that the foreigners who have arrived and, with some enthusiasm, are taking selfies in front of the sign, may choose to sample his *chai* and his *zhingyalov hats,*[8] the latter with an appearance and taste of unleavened bread stuffed liberally with common, garden grass.

The road into Nagorno-Karabakh is new.[9] Prominent signs along it hail this proper, tarmac road as the most important infrastructure project to hit the territory. It probably is. The same signs hail it as a gift from the people of Armenia. Construction was funded through subscriptions from Armenian diaspora all over the world.

There are only a few private cars labouring along the steep slopes when we are there. That said, the real beneficiaries of this largesse from ordinary, patriotic Armenians is easy to see. A nationalist drumbeat delivered by Yerevan feeds the pockets of those who are banging the drums. The elite in Yerevan and Stepanakert.

The only burgeoning forms of traffic we have seen across nearly a week in the territory are imponderable numbers of trucks filled with timber. A few vehicles bearing mining company logos drive by, complete with security escorts.

And, amid all the rickety Ladas and rust-bucket Japanese cars, an occasional minibus with blacked out windows. Only people like Christina really know the fate of the passengers in these.

In their nationalistic fervour, ordinary people pay for the road. The big beasts of Yerevan use it to improve their already lucrative businesses. Nagorno-Karabakh is being systematically asset stripped. For good measure, the road has made it easier for the territory to serve as a useful base from which to flood the world's trouble spots with arms and hard drugs.

We also see Iranian-plated trucks, which convoy freely across the border stuffed with Afghani heroin, courtesy of the Revolutionary Guard, another player in the territory's dubious economy.

One wonders if the good burghers of the United States town of Glendale, just a few miles away from downtown Los Angeles, with almost two-fifths of its 200,000 population being of Armenian descent,[10] knew what they were donating towards with such gusto. In July 2018, the *Los Angeles Times* spoke of: *...scattered graveyards, where prayers and hymns echo over coffins of the fallen. America's heroin and opioid scourge is intimate and distant, resounding and silent. It is a haunted landscape of slack-faces, failed recoveries and holding*

cells. More than 64,000 people died last year of drug overdoses, a cataclysm affecting our politics, healthcare and courts...[11]

The road, to which many of those in Glendale contributed, only served to improve the supply chain that stretches between the poppy fields of Afghanistan and this dark underbelly of American society.

And there are the geopolitical ramifications. Invade Afghanistan. Embark upon the longest war in United States history. As of July 27th, 2018, there were 2,372 reported United States military deaths there, along with 20,320 American service members wounded.[12]

No matter. Build a road to support the supply chain. Help finance the Taliban. And Iran's Revolutionary Guard, for good measure.

Some consider that the foundations of the Nagorno-Karabakh problem came with Mikhail Gorbachev's *glasnost* and *perestroika* reforms in Eastern Europe, introduced to assuage Soviet control of its Republics. With alarming speed, and Russian military help, Armenia seized the opportunity to launch a campaign of such ferocity that continues to sit alongside the likes of Bosnia, Cambodia and Rwanda in the lexicon of genocide.

Yet while Gorbachev certainly offered the opportunity for this modern-day push towards a 'Greater Armenia', in fact the story of this region goes much deeper into history.

The name of Karabakh originates from Turkish, literally meaning *black garden*, and dates back to the 13th and 14th centuries. *Nagorny* comes from a Russian word, meaning mountainous.[13]

Historically Nagorno-Karabakh had been one of the ancient historical regions of Azerbaijan. In his 1847 book *The History of Karabakh*, Mirza Jamal Javanshir Garabaghli, the vizier of the Azerbaijani Karabakh Khanate, recorded in detail the history of the region, one backed by academic source material.[14]

It is a history that is deeply rooted in Azerbaijan. The region's major conurbation was named Khankendi – Turkic for 'the khan's village' – and was founded in the late 18th century as the private preserve for Khans of the Karabakh Khanate.[15] Khankendi was charted on Tsarist era maps.

The source of increased Armenian connection in Nagorno-Karabakh came in the 18th century.

Immigration from Persia saw thousands of Christian Armenians settle alongside the majority Muslim population. After Russian occupation of the Khanate in 1805, the Tsar's administration encouraged this further,[16] settling thousands in Nakhchivan and Yerevan under the terms of the Turkmenchay Treaty in 1828. The demographics of the region altered, but noticeably for a time there was relative peace.

That changed when Armenian leaders began to pursue their dream of a 'Greater Armenia' extending 'from sea to sea',[17] referring to the Caspian and Mediterranean.

In the 1920s, the Soviet Government established a Nagorno-Karabakh Autonomous Region within Azerbaijan.[18] Under Bolshevik rule, fighting between the two sides was kept in check but, as the Soviet Union began to collapse, so did its grip on Armenia and Azerbaijan.

In 1988, the Nagorno-Karabakh legislature illegally passed a resolution to join Armenia despite the fact that the region was within Azerbaijan's borders.[19] As the Soviet Union was dissolving in 1991, the region pushed for independence. War erupted between Armenia and Azerbaijan, leaving roughly 30,000 casualties and hundreds of thousands of refugees.

According to *Human Rights Watch*: *from the beginning of the Karabakh conflict, Armenia provided aid, weapons, and volunteers. Armenian involvement in Artsakh escalated after a December 1993 Azerbaijani offensive. The Republic of Armenia began sending conscripts and regular army and Interior Ministry troops to fight in Artsakh.*[20]

By 1993, Armenia controlled Nagorno-Karabakh and, having occupied seven surrounding districts, now held 20% of total Azerbaijani territory.[21] In 1994, Russia belatedly brokered a ceasefire.[22]

Nagorno-Karabakh became what is euphemistically termed a 'frozen conflict'. The sound of gunfire and artillery, quite apparent during the weeks I was in Stepanakert, illustrating that the term is somewhat redundant. So does

the body count of soldiers, claimed by both sides. As we neared the Armenian lines facing those of Azerbaijan, so alarmingly close that one could see the colours of the Azerbaijani horizontal tricolour, the crack of sniper fire was audible.

Tensions have remained high since a breakdown in talks that followed a surge of violence in April 2016, with repeated ceasefire violations.[23]

Negotiation and mediation efforts, primarily led by the Organisation for Security and Co-operation in Europe Minsk Group, have failed to produce a permanent solution to the conflict. The somewhat limp-wristed Minsk Group was created in 1994 to address the dispute and is co-chaired by the United States, Russia and France.[24] The three parties have their own geopolitical agendas. And it shows. The co-chairs organise periodic summits between the leaders of the two countries and hold individual meetings. The group has successfully negotiated ceasefires, but territorial issues remain as intractable as ever.

Nagorno-Karabakh – and the border region claimed by both Armenia and Azerbaijan – is increasingly at risk of renewed hostilities due to the failure of mediation efforts, escalating militarisation and frequent ceasefire violations. Over the past several years, artillery shelling and minor skirmishes between Azerbaijani and Armenian troops have caused hundreds of deaths. Early April 2016 witnessed the most intense fighting since 1994, killing dozens and producing more than three hundred casualties.[25] After four days, the two sides announced that they had agreed on yet another fragile ceasefire.

In October 2017, an Organisation for Security and Cooperation in Europe-led mediation group, the presidents of Armenia and Azerbaijan met in Geneva to discuss a possible settlement.

Sitting around that table; one President who was making a personal fortune[26] out of the ongoing rape of Nagorno-Karabakh, his ties into the territory's commercial life widely known. And at least one OSCE delegate whose nation continues to gain from continued instability in the Caucasus region and remaining keen to sow discord along its borders.[27] Perhaps not the most honest of brokers.

Without successful – or even scrupulous – mediation efforts, ceasefire violations and renewed tensions consistently threaten to reignite a military conflict between the countries and destabilise the South Caucasus region.

This could also disrupt oil and gas exports from the region, since Azerbaijan,

which produces some 800,000 barrels of oil per day,[28] is a significant exporter to Europe.

Russia has promised to defend Armenia.[29] Turkey has pledged to support Azerbaijan.[30] Iran, with its large Azerbaijani minority,[31] states that it would like to see peace, although for the Revolutionary Guard and its Commander Major General Mohammad Ali Jafari – personally sanctioned by the European Union[32] and the United States[33] for his criminality – Nagorno-Karabakh represents big business.

Yet amid all the international attention paid to solving the issue, *faux* as some of it is, the region remains an irreconcilable mess. Falling through the cracks of international law, Nagorno-Karabakh has been afforded the scope to become a hotbed of unrestrained crime.

Calling itself the 'Republic of Artsakh', in 2012 Nagorno-Karabakh's population was estimated at 143,600.[34] Through ethnic cleansing and what amounts to genocide of the Azerbaijani population, along with immigration from Armenia to the territory, today it is almost entirely Armenian.

While Armenia's leaders, and Nagorno-Karabakh's rump government, have projected a 'Greater Armenia' cause and the emergence of the illegal 'Republic of Artsakh' as something of a divine cause, the dark underbelly of Nagorno-Karabakh has become increasingly apparent.

Along the ceasefire line, this issue bears all the hallmarks of a 'frozen conflict'. Sometimes thawing. Always a source of international tension. Yet away from the front lines and what are euphemistically described as peace negotiations, and well away from international purview, maintaining Nagorno-Karabakh's isolation has become a matter of 'business' for the political elite.

The likes of Russia's *Bratva*, Armenia's *akhperutyuns,* bodies like the Revolutionary Guard, and individuals like 'Prince of Marbella' Monzer al-Kassar and the now-incarcerated Viktor Bout, have all been granted free rein to use the territory as a base.

While global powers and foreign media may consider Nagorno-Karabakh a 'frozen conflict', beyond the law and order oversight that is a norm for all

established nations, the territory today functions as ground zero for another form of war, the festering global epidemic of opiates, human trafficking and the sex trade, and an illegal arms industry that fuels conflict in every doomed region of the world.

On February 17th, 2018, months before he was turfed out of power during a people's revolution in Armenia, then President Serzh Sargsyan told the Munich Security Conference that "...the people of Karabakh want to live freely, too. They want to live in their historical land."[35]

President Sargsyan spoke the truth. Yet no one asked to live under kleptocracy, nor a nation that shares its DNA with dark days of Panama under Manuel Noriega, or indeed a land whose biggest export is the opiates that decimate entire societies across the world.

TWO

THE ISLAMIC REPUBLIC

You and I come by road or rail, but economists travel on infrastructure," said former British Prime Minister Margaret Thatcher.[36] It is not hard to escape the conclusion that the 'Iron Lady' helped cause all this mess. When she and United States President Ronald Reagan took on the Soviet Union, they opened a veritable Pandora's Box of consequences. When they were joined by Mikhail Gorbachev on the world stage, the collapse of Moscow's empire and resulting geopolitical gerrymandering led directly to the Nagorno-Karabakh conflict.

A quarter of a century on from the end of the war, and we are looking, some pensively, at a piece of infrastructure that even Mrs. Thatcher would not have given too much credence to.

Squatting behind a large rock, armed with binoculars kindly provided by our guide, we are honed in on the rather nondescript 13th century Khodaafarin Bridge.[37]

We have made our way south from Stepanakert, travelling on quiet, almost deserted roads. Leaving the territory's main town in darkness, it is now barely dawn. One has to be there early to see the regular crossing.

Now we hover behind an oversized boulder, overlooking a deep-sided valley and the Aras River below. In the distance, on the other side of the valley is the Islamic Republic of Iran.

This is the main crossing point between Iran and Nagorno-Karabakh. Illegal

under international law. Remote. Well beyond the reach of global law and order agencies. And therefore useful.

Tehran professes to be an honest broker and has made numerous very public attempts to breach the impasse between Baku and Yerevan over Nagorno-Karabakh.[38] Iran's policy towards the conflict and the two protagonists is shaped by a number of factors, not least Tehran's desire to pre-empt ethnic strife among its large domestic Azerbaijani minority, while also balancing Iran's relations with Russia and the United States.

Yet Khodaafarin Bridge can be seen as an example of Iran's cynicism. Public efforts are made to project the nation as a bastion of peace and diplomacy. A nation of piety and order. While at the same time pouring hard drugs and arms across an illegal border.

On September 25th, 2018, addressing the United Nations General Assembly, Iranian President Hassan Rouhani stated that the world is suffering from recklessness and insisted that some nations have a reckless disregard for international values and institutions. He described Iran as a "meticulous guardian for a world free from violence".[39]

He concluded his address by stating, straight faced, that: "The world will not have a better friend than Iran if peace is what you seek."[40]

Collins Dictionary lists the following synonyms for 'hypocrite':

Fraud. Deceiver. Pretender. Charlatan. Impostor. Pharisee. Dissembler. Tartuffe. Pecksniff. Holy Willie. Whited sepulchre. Phoney or phony.

Iran shares a 611-kilometre border with Azerbaijan.[41] Of that, some 132 kilometres have been removed from Baku's control.[42] A line stretching between the Armenian town of Meghri and the Azerbaijani town of Horadiz represents Tehran's interface with the self-proclaimed Republic of Artsakh.

To offer perspective, the Arizona-Mexico border is 370 kilometres,[43] the Anglo-Scottish border 154 kilometres[44] and the Korean Peninsula's Military Demarcation Line runs some 248 kilometres.[45] The point being, that 132 kilometres is comparable with many major borders, and allows plenty of room for quietly administered maleficence.

Soon after the Shah of Iran was forced from power in 1979, the revolution's leaders began to consider a national guard, tasked with preserving the new Islamic revolution and counterbalancing the country's conventional military. Supreme Leader Ayatollah Khomeini created this new force, *sepah-e-pasdaran* or "army of the guardians".[46]

Most foreign governments refer to it as the Islamic Revolutionary Guard Corps – a force that, decades later, has become a key player both inside Iran and across the region.

The United States Government is poised to designate the Revolutionary Guard as a terrorist group[47] due to its military support for Hezbollah and Hamas, efforts to prop up the once beleaguered Syrian administration of Bashar Al Assad, and its activities in supporting Houthi rebels in Yemen.

Khomeini had envisioned a body that protected the revolution at home, but now the Revolutionary Guard has evolved into one that seeks to export revolution abroad.[48] From its origin as an ideologically driven militia, the Revolutionary Guard have taken an ever more assertive role in virtually every aspect of Iranian society.

In order to finance this – including huge annual payments to surrogates like Hezbollah[49] and Hamas[50], funding provided to the Houthi[51] and other illicit groups[52] – the Revolutionary Guard has become a state within a state, one armed with a mobilisation of some 125,000 men,[53] the equivalent of Spain's entire armed forces.

In order to finance its domestic and international activities it has constructed around itself a powerful military-industrial-financial complex. The group's commercial arms stretch into every area of life across the vast nation and include Khatam al-Anbia Construction Headquarters, one of Iran's largest contractors,[54] Oriental Oil Kish,[55] and dozens of other profitable concerns that feed off the state.[56]

In August 2007, the *Los Angeles Times* stated: *Iran's Revolutionary Guard has quietly become one of the most significant political and economic powers in the Islamic Republic, with ties to more than 100 companies which, by some estimates control more than $12 billion in business and construction, economists and Iranian political analysts say.*[57]

In order to pursue its own agenda, and that of the mullahs with their overarching desire to export their conservative fervour across the region, the Revolutionary Guard grew into a corporate giant. And more.

Through a constant widening of its powers and reach, the Revolutionary Guard expanded to control Iran's sea, air and land borders. With ports, airports and roads under its purview, the Revolutionary Guard did not shy away from utilising them to smuggle goods and line its pockets.

A close look at the Revolutionary Guard's involvement in Iran's underground economy shows that they are no strangers to the underworld. Indeed, they control it. As *Al Arabiya* reported in June 2017: *Over the years, the Iranian administration has utilised every form of illegal activity in its bid to break international sanctions, which had been imposed by the United Nations over its non-compliance to adhere to its international obligations over its clandestine nuclear programme, and so with the international illicit drug market estimated at $320 billion annually, the Revolutionary Guard decided to "dabble"... The Guard know that by using illegal drugs as a tool, turning it into a plague amongst its enemies, it can slaughter more youngsters than it possibly could on the battlefield. Iran's Revolutionary Guard Corps is working with the Taliban to set up drug trafficking networks, selling the drugs in European countries to finance the militant group, according to security officials.*[58]

Narcotics would provide their most lucrative strand of finance. On March 7th, 2012, the United States Treasury released a statement, 'Treasury Designates Iranian Quds Force General Overseeing Afghan Heroin Trafficking Through Iran', which stated: *The United States Department of the Treasury today designated Iranian Islamic Revolutionary Guard Corps Quds Force (IRGC-QF) General Gholamreza Baghbani as a Specially Designated Narcotics Trafficker pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act)... General Gholamreza Baghbani is an IRGC-QF officer and the current chief of the IRGC-QF office in Zahedan, Iran in south-eastern Iran, near the Afghan border. General Baghbani allowed Afghan narcotics traffickers to smuggle opiates through Iran in return for assistance. For example, Afghan narcotics*

traffickers moved weapons to the Taliban on behalf of Baghbani. In return, General Baghbani has helped facilitate the smuggling of heroin precursor chemicals through the Iranian border. He also helped facilitate shipments of opium into Iran.[59]

In March 2015, Stephen Hughes summarised the widely understood view of the situation when he wrote in the *Jerusalem Post*: *...on November 16th, 2012, the United States added Mullah Naim Barich, the Taliban's leader for the southern Afghan province of Helmand, to the list of Specially Designated Narcotics Traffickers. While the designation did not directly link Barich to Baghbani, the Taliban commander was involved in smuggling heroin to Iran. Brig. Gen. Gholamreza Baghbani supports heroin and opium smuggling in Iran and Afghanistan "as part of a broader scheme to support terrorism." The Iranian general supports the drug smugglers in order to arm the Taliban in Afghanistan.*[60]

Tehran's enthusiasm for the heroin trade not only represented a profit centre, but a Narco War that, it is hoped, would undermine the West. Through the nation's bonyads, wealthy, non-governmental, ostensibly charitable foundations controlled by key clerics, organisations like the Mostazafan Foundation (Foundation of the Oppressed or The Mostazafan Foundation)[61] and Bonyad Shahid va Omur-e Janbazan (Foundation of Martyrs and Veterans Affairs),[62] the Revolutionary Guard were able to launder billions in profits from their illicit activities.

Indeed, so comfortable are Iranian smugglers with the strength of their operation that, just on the day we are there, five trucks openly operate close to the illicit border into Nagorno-Karabakh, across the Aras River and into Europe's back passage. They have Iranian plates.

"Every day," grumbles my companion, as we look on. A veteran of the Nagorno-Karabakh War, Tigran fought to win what he believed was his rightful homeland. The promises made to him and his fellow fighters, of a bright future, peace, development and a decent life did not come to pass.

Tigran, who asked for his surname not to be published due to the inevitability of reprisals for cooperation with us, accepts that the economic implications of

international isolation mean that the dreams of the early 1990s had to be put on hold by necessity. And, indeed, may never happen.

Like many, he says, the ultimate betrayal comes in former and current leaders of the territory becoming enriched as they allow the unrecognised Republic of Artsakh to become a hub for narco operations. "My friends died. What for? So that those dickheads in Yerevan can get rich allowing the Iranians to use us to ship drugs?" Several expletives later, he adds: "All we want is a land, and peace."

They make strange bedfellows. A fervent Islamic Republic locked into Armenia, first nation to adopt Christianity as a state religion, an event traditionally dated to AD 301.[63] Money talks though.

Major General Mohammad Ali Jafari is the Iranian commander of the Iranian Revolutionary Guard. As the *Public Broadcasting Service* notes he is: 'A Hardliner's Hardliner'.[64] It adds that he is: *Credited with influencing elections in favour of hardline candidates, step forward President Mahmoud Ahmadinejad, who oversaw the brutal suppression of the nation's peaceful Green Movement, openly works towards the eradication of Israel and has played a keen role in plans for Iran's 'Islamic bomb', the mullah's nuclear capability. The latter is a dream that he has not abandoned.*

Neither has his intention to spread the cancer of his extremism, not least through its increasingly powerful proxies. Somewhat belatedly, for example, only in October 2018 did the United States Justice Department designate Lebanon's Hezbollah a "transnational crime organisation".[65]

All of which leads us to Khodaafarin Bridge on a brisk autumn morning in the Caucasus, just after dawn.

This is not the only narco-link into Nagorno-Karabakh. The isolation and geography of the Aras River presents many potential crossing points from Iran that are surely utilised on other days. A simple dinghy is enough to cross the river and land smaller consignments of Afghanistan's poisonous export into Europe's back door. This is likely the modus operandi of independent smugglers, and likely also of Tehran's industrial, in-house smuggling operation. Locally it is well known that the Aras River is a porous border used for drug shipments.

The authorities studiously maintain a blind eye to this and indeed, one would assume, have a personal stake in its success.

The Khodaafarin Bridge is also off the grid and suitable for this illicit purpose also. A simple locked gate and some loosely-wound barbed wire gives the outward appearance of disuse. In reality it is anything but.

Five nondescript trucks trundle down of the Iranian side of the valley and park up near the most complete of the two bridges. A group of perhaps 30 men disembark from one. Brazenly, they are wearing dark green khakis. What look like military issue uniforms.

The Revolutionary Guards' Quds Force is commanded by Major General Qasem Soleimani,[66] an almost James Bond baddie. Grey-haired Soleimani would not look out of place facing off against Daniel Craig, played by an almost doppelgänger Sean Connery.

It is a bit flippant to consider perhaps. Soleimani was directly responsible for the rise of Hezbollah, propped up Bashar Al Assad,[67] and fuelled the rise of an Islamic religious-political-armed movement in Yemen that became the Houthi[68] and plunged Yemen into its current nightmare.

What we view at the Khodaafarin Bridge that morning perhaps explains how the Revolutionary Guard find themselves able to finance its multibillion dollar efforts to export the Islamic revolution and breed extremism.

Do not forget, of course, this has been done almost continually in the face of debilitating economic sanctions. Western powers have been sanctioning Iran since the mid-1990s over its sponsorship of terrorism and later its pursuit of nuclear weapons. Restrictions on trade and exports have had a "crippling" effect on the Iranian economy.[69]

After brief respite under President Barack Obama,[70] just weeks before we stood in the early morning gloom peering at Khodaafarin Bridge, President Donald Trump's first wave of "snap back" sanctions had come into force.[71] Tehran had seen its people suffer economic consequence. But the Revolutionary Guard still had a job to do. Ayatollah Ali Khamenei and President Rouhani seem to consider the latter of greater importance.

The men in uniforms spread out across the bridge and form a human chain. Several others, armed with rifles, take up sentry positions.

We hunker down. Despite being some half a kilometre away from this activity, the valley was almost silent apart from a few ubiquitous cows. Foreigners claiming to be 'tourists' were unlikely to be believed.

Over the next 20 minutes, the remaining four trucks were emptied, disgorging package upon package, carefully passed across to the Nagorno-Karabakh side. Almost amusingly, they look almost the same as one would see on the *Netflix* series *Narcos*, or on *CNN* and *BBC* when international authorities are showing off their latest seizure: covered in white plastic and bound with brown tape.

Unless *Netflix* is filming here surreptitiously, the same morning as we happen to be in the vicinity, then it is clear what we are witnessing.

Across the bridge, these are loaded onto several small, pockmarked and unremarkable, unmarked vehicles by the ubiquitous skinny, young and innocent looking Artsakh Defense Army conscripts we see everywhere across the territory.

The convoys move off on both sides of the Aras. Tigran refused to follow. Too dangerous. Instead we hang back for what seems like an age and head to Stepanakert for tea and more *zhingyalov hats*, bread stuffed with grass.

As *The Washington Post* reported in November 2012: *Even as Western sanctions ravage their economy, some Iranians are reaping a cash harvest from an unexpected source: a booming illicit drug industry... Drug-related violence has spilled into the Caucasus. Regional officials say heavily armed drug gangs wage pitched battles with police and border guards, sometimes using weapons and military hardware taken from battlefields in Afghanistan and Iran.*

In Azerbaijan, Iran's northern neighbour, naval patrols in the Caspian Sea are playing cat-and-mouse with Iranian smugglers who use modified speedboats. On land, captured Iranians have been found carrying United States-made night-vision goggles, and some have used bombs and armoured vehicles to smash through checkpoints, Western and Middle Eastern officials say.

"Iran is a black hole," said a senior United States law enforcement official familiar with drug trafficking in the region.

At least some of the overseas routes are protected by Iran's Quds Force, an elite unit of the Revolutionary Guard Corps with a long history of smuggling

contraband, according to United States officials, several of whom spoke on the condition of anonymity to be able to discuss confidential assessments of Iran's drug trade. The Quds Force is closely allied with Hezbollah, the Lebanon-based militant group with deep ties to drug trafficking around the world, including Latin America.

"Both of these organisations are now heavily involved in the global drug trade," Michael Braun, the former operations chief for the United States Drug Enforcement Administration, said at a congressional hearing in February. "Their participation in that effort presents them with a myriad of opportunities with which to build their terrorist and criminal capacity in the Western Hemisphere and elsewhere."[72]

Less than an hour after witnessing events at Khodaafarin Bridge we were breakfasting back in Stepanakert. It seemed an almost prosaic considering what we had witnessed. Over ensuing weeks the Revolutionary Guard's deadly merchandise would snake its way Westward into Europe, a harbinger for yet another wave of human misery.

THREE

FOLLOW THE MONEY

Many forms of government have been tried, and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed it has been said that democracy is the worst form of government except for all those other forms that have been tried from time to time…"

On November 11th, 1947, Sir Winston Churchill uttered this terrible reality. Just over half a century on, the electorate of the Republic of Armenia had gone to the polls and decided that it was time to bloody the nose of their self-appointed masters. In May 1999, a reform-minded coalition had won a majority in parliamentary elections.[73] Vazgen Sargsyan and Karen Demirchyan had emerged as Prime Minister and parliament speaker respectively. In doing so they sidelined President Robert Kocharyan.

Kocharyan's unhappiness with the folly of the electorate was clear. Fortuitously for him, however, a 'terrorist' attack was set to make right any mistakes made at the ballot box.

Attackers spraying automatic gunfire swept into Armenia's parliament on Wednesday, killing Armenian Prime Minister Vazgen Sargsyan and several other parliamentary leaders. At least five people, including the parliament speaker Karen Demirchyan, deputy parliamentary speaker Yuri Bakhshyan and Operative

Issues Minister Leonard Petrosyan, were killed in the stunning raid. A number of others were wounded. Sargsyan was said to have been shot several times in the chest.

Vage Gabrielian, a spokesman for Armenian President Robert Kocharyan, said the president had gone to the parliament building where the gunmen were holding as many as 150 hostages.

A reporter inside the building said the gunmen were claiming to have staged a coup, but Gabrielian said the government believed the gunmen were "individual terrorists" and asserted the government was in "complete control" of the country. He said the gunmen had not claimed affiliation with any group. "It's only the parliament building and a very small group," he said. Pictures from the parliament session showed three men with guns opening fire. Witnesses said the prime minister was apparently the target of the attack. Hagop Aveikian of the AZG newspaper said a reporter for his newspaper saw the men enter, curse the prime minister and the parliament, and then open fire.

The reporter said that Sargsyan was hit several times. United States Deputy Secretary of State Strobe Talbott had met earlier in the day with the prime minister and other Armenian leaders to discuss Nagorno-Karabakh. He had been escorted to the airport by Sargsyan about a half hour before the incident at the parliament building.[74]

CNN's coverage of the shocking events of October 27th, 1999, continue to hold a horrific fascination to even the casual observer.

Clips on *YouTube* have a quarter of a million views[75] and still cause one to shudder. The sheer horror of a nation's legislature coming under bloody, murderous attack. The loss of a nation's premier, cut down by the cold steel of a determined assassin. Legislators felled during the assault. An apparent mission against the seat of Armenian democracy.

Almost two decades have passed since this infamous event. Yet for ordinary Armenians, the murderous death of Vazgen Sargsyan and fellow parliamentarians has taken on the same conspiratorial tone as the assassination of President John F. Kennedy in the United States.

A botched enquiry that seemed more interested in tying up loose ends. Unexplained ties between the assassins, those who plotted the attack, and figures in high government. And an overwhelming feeling of cover up. All contributed to an entirely unsatisfactory non-resolution of this nation-defining event.

Even the protracted trial of the five gunmen failed to shed light on many key questions, not least how weapons and ammunition had been smuggled into the building.

A report published by *Radio Free Europe/Radio Liberty* on the tenth anniversary of the killings, however, sheds light onto events that day and how these influenced Armenian in the decade that followed: *It is not always easy to define precise turning points in a country's history, but for post-Soviet Armenia, the tragedy of October 27th, 1999, was just such a moment. Looking back a decade later, the parliament shooting marked the end of Armenia's development as an emerging democracy with balanced political and social institutions, and the beginning of its slide into a semi-authoritarian state dominated by a powerful president...*

In the wake of the tragedy, President Kocharyan was able to quickly consolidate power, and in the ensuing years he was able to dismantle Armenia's emerging democratic institutions. The legislature ceased to be an independent focus of political power. The country's leading independent television station was closed down. Political parties were weakened to the point of irrelevance.

"The question that has troubled people for a decade is whether or not there was a force that stood behind, and guided, the gunmen in the parliament chamber," she says. "That question has yet to receive a clear and well-established answer. A big question mark remains... (said Armenian journalist Anna Israelian). *As of now, only one thing is clear. After October 27th, authority in Armenia became very monolithic, with a single center."*[76]

Identifying who was behind the assault had become a popular parlour game in Yerevan. Perhaps the clearest indication, and one that links it directly to the ruling elite, was reported in 2008 and pointed to the brother of Serzh Sargsyan, who was serving as Minister of National Security at the time of the killings.

According to *Radio Free Europe/Radio Liberty*, members of the coordinating council of the Legitimate President 2008 movement, Garnik Margaryan, Lyudmila Sargsyan and Gurgen Yeghiazaryan, appealed to Armenian Prosecutor General Aghvan Hovsepyan demanding a criminal investigation be launched in connection with reports that appeared in the newspaper *Haykakan Zhamanak* concerning a sensational admission made by Sashik Sargsyan.

Their submission pointed to widespread media coverage of comments made by the brother and stated: *A few days ago, Serzh Sargsyan's brother, Sashik Sargsyan, who attended the funeral of the nephew of well-known criminal authority Tevosik in St. Petersburg, said in the presence of dozens of people: "We didn't finish so many people in parliament just to give power so easily to others."*

The newspaper *Haykakan Zhamanak* later reported that despite numerous witnesses and widespread reporting of Sargsyan's comments, authorities in Yerevan made no comment and did not look into the matter.

With the passing of time, it becomes even harder to identify the real reasons behind the murders. Yet several areas of fact have become very apparent, Sargsyan, the slain Prime Minister, was a 40-year-old former athletic instructor and Soviet propaganda official.[77] He was an ally of Armenia's Soviet-era leader Demirchyan, having headed an extremist Nagorno-Karabakh war veterans group.

The Premier's party was closely tied to a militia group known as the Yerkrapah Battalion, condemned by Western human rights groups,[78] while Sargsyan had himself forced the resignation of President Levon Ter-Petrosyan in 1998, accusing him of a "defeatist" approach over Nagorno-Karabakh by agreeing even to discuss returning territory to Azerbaijan.[79] Sargsyan had set his sights on claiming a slice of the nation's commercial action. In seeking this, he had emerged as an outspoken rival of then President Kocharyan.

On the morning of the shooting, Sargsyan had met with United States Deputy Secretary of State Strobe Talbott. There were reports that Armenia was preparing to take steps along a road map towards a solution.[80]

So what changed with Sargsyan's slaying?

Conflict remained the *raison d'être* for Armenia's permanent war footing and,

therefore, its lucrative arms import business. Generous subsidies were flowing in from Moscow, the Kremlin quite happy to see the nations of the Caucasus at each other's throats. And a nationalist cause and an Azerbaijani bogeyman was a primary source of revenue through donations from rattled Armenian diaspora around the world. Ethnic Armenians continued to donate a small fortune towards the cause that had been sold to them.

Sargsyan sought to enrich himself. His death guaranteed the nation's establishment that the money tree that was planted so firmly in Republic Square would continue to provide for them.

The attack, his death, and all the unexplained questions surrounding the events of October 27th, 1999, had one overwhelming consequence – to cement that status quo.

So who benefitted most from Sargsyan's death? And does an answer to that question provide a strong pointer to who was behind the murder of the Prime Minister?[81] Power plays a role in the story. Amid the confusion and uncertainty Kocharyan, who also served as 'leader' of the self-declared administration of Nagorno-Karabakh between 1994 and 1997, was able to regain and, indeed, solidify his grip on power.

If power is one aspect then the second is naked greed. A plutocracy is a society that is controlled by people of great wealth or income. Political thinkers through the ages like Churchill, Alexis de Tocqueville and Noam Chomsky have condemned plutocrats for ignoring social responsibility in the pursuit of personal gain, corrupting societies with their greed and hedonism.

Armenia became, and remains, an example of a small number of wealthy individuals controlling the economic life of the nation at the expense of its masses. It would be the nation's plutocrats who benefitted most from the removal of Sargsyan and the new era of democratic oversight he represented. His death ensured the continuation of a slide into plutocracy.

"Follow the money" said the mysterious Deep Throat during the 1976 drama-documentary motion picture *Watergate*.

The secret government informant, so seminal in revealing the inside scandal

to *The Washington Post* reporters Bob Woodward and Carl Bernstein, was one of the iconic elements, in one of the iconic films, of one of the world's most iconic scandals.

With "follow the money", Deep Throat delivered a definitive that suggested that there is always a money trail that leads to wrongdoing in high political office. For the film, screenwriter William Goldman attributed this phrase to Deep Throat, although Deep Throat was not recorded as saying that before the film was released, in reporting, or the best-selling book of the scandal.[82]

Nevertheless it stuck. The image of Deep Throat, hovering in the dark shadows of a car parking garage, as he extolled the young journalists to "follow the money" is in some ways a romantic one. And indeed Woodward and Bernstein did. All the way to the Oval Office.

Some 31 years after President Richard Nixon's resignation over Watergate, and 11 years after Nixon's death, Federal Bureau of Investigation Associate Director Mark Felt was finally identified as Deep Throat.[83] Felt himself passed away in 2008, but Deep Throat's misappropriated phrase lives on in popular culture and remains in modern political usage.

In September 2016, the Trump campaign used the phrase in criticising Hillary Clinton and the Clinton Foundation,[84] while in February 2017, Bernstein himself uttered the phrase while pressing the international media to look deeper into President Donald Trump's potential conflicts of interest.[85]

Yet to "follow the money" is not a singular United States phenomenon.

From former Brazilian President Luiz Inácio Lula da Silva[86] to Pakistan's former leader Asif Ali Zardari,[87] the media has played a significant role in shining light into the deepest recesses of the finances of a variety of felonious political figures around the world.

The alleged wrongdoings of the likes of Lula and Zardari are typical of the graft that has hampered nations as they sought to drag themselves into the socio-economic light. Despite the efforts of more international law, increasing degrees of domestic oversight and the ability of an array of non-governmental organisations to highlight wrongdoing, across much of the world some leadership figures remain ready to engage in prolific personal larceny at the expense of their people.

In September 2003, much belatedly, Armenia introduced its Law on Freedom of Information. Widely considered progressive, in theory, lawmakers had framed this with great care for although it laid a foundation, it was, in fact, mostly toothless and provided those in power and with something to hide, a myriad of avenues to stall.[88]

It took 12 years, until October 2015, before the government bowed to pressure and introduced procedures that streamlined classification, maintenance, and provision of information from the government to the public. Again, however, parliamentarians covered their backs – information holders had the option to refuse to provide information if it contains what they deem state, official, bank, or trade secrets, or infringe the privacy of individuals.[89]

These 'Get out of Jail' provisions are fuzzy and open to the widest possible interpretation. Freedom of information is codified in national law, but only information that lawmakers – those in the spotlight much of the time – condescend to allow.

The secrecy retained by Yerevan's elite allows them to continue to operate in the dark margins of national life and, in doing so, gather quite astonishing wealth. Highlighted elsewhere in this tome, the head of the Western Customs House Department of Armenia's Tax Service, Vladimir Tamrazyan, has a reported personal wealth of some 400 times his annual government salary.[90]

Although a tame example, Tamrazyan's accumulated funds stand nowhere near the lexicon of those whose personal fortunes stand far north of their apparent salary earnings capacity. Tamrazyan is only 'comfortable' by comparison to some, with a tidy $5.9 million in cash and assets.

The question remains over who stood to gain most from the assassination of a Prime Minister. And if 'most' can be defined as to the man who went on to become the most flush, then we start with Sargsyan's erstwhile boss – a man holding both tools and motive.

In 2006, *Forbes* published its only study of Armenia's wealthy.[91] Robert Kocharyan, a politician, not a businessman, was listed richest person in Armenia with over a billion dollars of wealth. Indeed, unusually *Forbes*' research was

largely dominated by government and parliamentary figures and not doyens of the business community.

Forbes highlighted the likes of Minister of Justice Davit Harutyunyan, Mayor of Yerevan Yervand Zakharyan, Transport and Communication Minister Andranik Manoukyan, and the ubiquitous Serzh Sargsyan, as the nation's financially strongest individuals.[92]

Another notable name is that of Gagik Tsarukyan – 'seen as the most influential of Armenia's government-connected oligarchs, and a key business partner of former Armenian President Robert Kocharyan' – whose wealth was estimated at $60 million in 2012, according to *168hours*.[93]

A look at Kocharyan's career path betrays nothing of his rise to billionaire status. In the 1970s he served in the Soviet Army, as a labourer in Stepanakert and Moscow, worked as a mechanical engineer[94] and lackeyed his way up the Communist greasy pole, within the Komsomol Union and into the town committee.

By the 1980s, he continued to ingratiate himself, winning positions within the Nagorno-Karabakh Soviet, a good party man, and, when it seemed that Moscow's powers were eroding, emerging as a self-proscribed nationalist after all.

In February 1988, he became leader of the independently minded Artsakh movement. Kocharyan's remarkable transformation from Soviet-era stooge to independence politico grew as it became expedient, as he served as a deputy of the Supreme Council of Armenia and, between 1991 and 1992, deputy of the Supreme Union of the Nagorno-Karabakh Republic.[95]

According to one former Foreign Minister of Armenia, interviewed by this author for another publication, even at this point in his career Kocharyan remained little more than a chancer in a cheap suit.

Yet he was "a political bellwether. Kocharyan's talent was knowing instinctively how to read the prevailing situation, and tie himself to the coat tails of those who were in the ascendancy." If that meant a party figure in Stepanakert, a political godfather in Yerevan, or an enthroned kingmaker sitting in the Kremlin, Kocharyan was a master ingratiator.

At this point in his career, Kocharyan was still wearing his cheap, shiny Soviet-era suits and telling the time from a plastic Casio watch. There were no

signs of the wealth that would suddenly become his. Yet, almost out of the blue to those who were aware of the prevailing situation in Nagorno-Karabakh, Kocharyan caught the break he was desperate for.

Yerevan was seeking to assert a 'post-independence' stance for its occupied territory and looking to form an independent government.

Armenia's President Levon Ter-Petrosyan needed a patsy, a figure who could fulfil a deferential role and be relied upon not to take an independent line from his real masters in Armenia. Kocharyan had all the credentials required for a political lapdog.

On December 29th, 1994, Kocharyan became 'President of Artsakh'.[96]

Ter-Petrosyan thought he had his man. As La Fontaine put it 'Let's not force our talent... Never can a clod, however he grimace... Pass himself off as a gallant.'[97] As Ter-Petrosyan would find out, instead of an ass wearing a lion's skin, in fact Kocharyan had pulled off the perfect political heist. He was a lion who had been wearing an ass' skin.

The same former Foreign Minister comments: "Kocharyan was ready to fulfil what he considered his destiny. He believes in the Artsakh cause, don't get me wrong, but he believes in the Kocharyan cause more. The latter is not about nationalism, or power. It is simply about money."

At 40 years old, Kocharyan found himself leader of a nation, even if it shared much with The Republic of Gilead from *The Handmaid's Tale* and Peter Pan's *Neverland*, in that it was essentially a fictional entity.

Nevertheless, he would systematically set about turning 'Artsakh' into a personal fiefdom, and begin to amass his fortune.

After a duration of six years, two months and 22 days, the Nagorno-Karabakh War had paused officially on May 12th, 1994.[98] Yet sporadic skirmishing continued along the frozen front lines, and the long shadow of a wounded Azerbaijan, which understandably wanted the fifth of its territory now occupied returned,[99] hung over the landscape.

During the conflict, and in its aftermath across the world, the Armenian diaspora had supported the vision that had been spun, of Armenia regaining its

rightful homeland. Money had flowed in, through the likes of the Hayastan All-Armenian Fund – whose director Ara Vardanyan was arrested by Armenia's National Security Service for embezzlement and, among other things, using money to fund an online gambling habit – the Monte Melkonian Fund and the Artsakh Investment Fund.

Foreign money supported key infrastructure like the Goris-Stepanakert road, a key artery that connects the region with Armenia, and therefore the rest of the world.[100] Constructed using funding from the Armenian diaspora, this stretch of tarmac won a reputation locally as the most expensive road in the world due to the graft involved.

This included Kocharyan of course, a silent but well-known partner in several of the firms contracted on the project. All he had to do was remain *in situ* and the money would come rolling in.

His administration also took its slice of funds earmarked for humanitarian relief and to buy arms for 'defence'. Prolific dealers like Viktor Bout – the world's most efficient postman, able to deliver any kind of cargo[101] – especially illicit weapons – and the notorious Armenian arms peddler Sarkis Soghanalian[102] were able to move consignments of small arms and light weapons into Nagorno-Karabakh.

These deals left in their wake a trail of commissions, bribes and kick-backs, lining the pockets of a new Nagorno-Karabakh elite. For good measure, while millions of ethnic Armenians abroad were funnelling their money into the dream sold to them of a 'Greater Armenia', their donations were being siphoned off in dodgy arms deals and diverted aid. Kocharyan's administration also had a tidy sideline in most major businesses, including gold mining.

Another lucrative trade, more than mining, was military conscription – soldiers without influential connections or the ability to pay bribes were bearing the brunt of combat. It was a system that would generate tens of millions over the years and, as *Eurasianet* observes: *...soldiers killed did not include the names of men known to be the sons of senior officials or wealthy businessmen, noted Armenian human rights activist Artur Sakunts, head of the Vanadzor office of the Helsinki Citizens Assembly, which works with military abuse cases, and Edgar Khachatrian, the head of Peace Dialogue, which also deals with soldiers' rights...*

"On the grounds of confidentiality, there is no such mechanism to be able to control or find out how many children of state officials serve, who serves where, and so forth," said Khachatrian. "But the study of fatalities shows that not a single official's son died. According to our information, no son of an official serves on the frontline."[103]

In addition to this despicable and lucrative business, deciding who lives and dies according to their surnames or ability to pay, this new administration in Nagorno-Karabakh was enveloped by a state of uncertainty translated into dollars earned as the diaspora poured their money into the region. As events in Yerevan have shown – Member of Parliament Manvel Grigoryan's recent arrest for stealing aid money and supplies being typical – even foodstuffs and emergency supplies were targeted for resale onto the black market.[104]

The emergence of an administration – with tax collection powers and providing services like licensing and permits, offered further opportunities. It was a bonanza that brought in millions for those willing to turn the nationalist cause into a commercial enterprise.

And Kocharyan personally did not have to wait long for what he coveted most. The hot seat in Armenia. After Kocharyan's brief sojourn as Prime Minister, during which time he was instrumental in destabilising the President, Ter-Petrosyan was forced out from Yerevan in February 1998 after advocating negotiation with Azerbaijan over Nagorno-Karabakh.[105]

Kocharyan had positioned himself as the nationalist alternative and became President of Armenia on February 4th, 1998.[106] If Nagorno-Karabakh had been somewhat limiting for a man of his great thirst, then Yerevan was on a whole different level.

"That February he went from apparent nationalist to state mafia godfather in a heartbeat," says the same observer.

The case against Kocharyan amassing a personal fortune while the majority of his people lived in paucity is overwhelming. In 2008, the Russian media estimated Kocharyan's wealth at $4 billion.[107]

An excellent measure of this comes from the nation's spending on the social

sector (health care, education and culture) which stood at $220 million in 2004.[108] Armenia's President could have funded or multiplied this, personally, for a dozen years and still been left a rich man. In 2010, the Armenian National Congress issued a statement that asked the question 'what if?': *What would be the solution of the Karabakh problem, if only some part of the $4 billion looted by Robert Kocharyan was aimed at the settlement of Karabakh issue?*[109]

How a legitimate politician could find himself so undeniably wealthy is a good question, and a difficult one to answer, for as independent Armenian news and analysis publication *168hours* observes: *...there is no research in Armenia similar to the list of Forbes as they calculate the wealth of the richest people with the stocks and shares they have in large companies and the market value. In Armenia it is not possible because the stock exchange market is not developed and rich people register their properties in names of others. Even the declaration of properties by high rank officials is not reliable. The rich do not show their income and want to demonstrate that they survive with salary only...*[110]

In 2013, the Presidential salary in Armenia was more than doubled, to $22,000 per annum,[111] a vast improvement over Kocharyan's salary as 'leader' of Nagorno-Karabakh between 1994 to 1997, Prime Minister of Armenia from 1997 to 1998 and Head of State between 1998 and 2008.

Considering this, the vast grey area of Kocharyan's fortune is perhaps best summarised by former United States Ambassador Marie L. Yovanovitch, whose 2009 report 'The Business of Politics'*: Leading enterprises of political elites* was fully published by *WikiLeaks*. Ambassador Yovanovitch stated: *The murky ownership of Armenia's major industry clusters is a hidden driver of Armenian politics and elites' inter-relationships. Yerevan chatter frequently refers to which prominent political figure owns what prominent economic assets, but it is difficult to get clear and consistent information.*

One well-connected businessman was recently willing to speak candidly and confidentially about the major economic interests of leading political figures. Broadly speaking, almost all the most lucrative sectors and enterprises are divided into one of two major political/economic pyramids: one headed by

President Serzh Sargsyan and the other by ex-President Robert Kocharyan...

Our contact told us that Sargsyan and Kocharyan share a significant amount of revenues from a number of government and business revenue streams. While unclear on how much revenue they share in reality, it is safe to assume that the sources of this revenue stream include customs proceeds, bribes, and other illegal payments.[112]

Ambassador Yovanovitch's report highlights a rat's nest in Yerevan, where these two national figures had turned the nation into a private enterprise, the scraps they leave behind, according to *Open Democracy*, equating to a dire situation where "...The average monthly salary in Armenia is $370, the average monthly pension is $90, and 20% of children under five years old have health problems caused by undernourishment..."[113]

While ordinary Armenians seemingly fight to exist, the two grandees of their nation fought between themselves for the spoils. As Ambassador Yovanovitch notes: *Serzh Sargsyan had a head start on Kocharyan when it came to gaining control of lucrative economic assets. Though both men are Karabakhis, Sargsyan came to Yerevan and took up the first of a string of powerful ministerial posts five years earlier than Kocharyan, who remained in Nagorno-Karabakh until 1998. In ten years as president, Kocharyan caught up to Sargsyan and it evolved to the point that most of the dominant business and economic sectors were in some way linked to one of the two of them.*[114]

Typical of the commercial web that Kocharyan has spun around himself, amid a network of friends and associates, one name that features prominently is that of his son, Sedrak, who the United States ambassador linked to Converse Bank and Ardshinbank, a one-third partnership (with Deputy Prime Minister Armen Gevorkian and H2 Television owner Samvel Mairopetian).[115] Along with this was a *de facto* monopoly for importing mobile phones and the nation's Toyota distributorship.[116]

Indeed, their influence goes beyond simply the economic rape of Armenia.

Kocharyan and Sargsyan's indirect ownership links to the country's mobile phone operators raises uncomfortable questions not only about competition, but that these companies cooperate in the monitoring of phone calls and Internet use on a massive scale, in order to maintain the duo's influence over the nation, even in the new Nikol Pashinyan era.

These hidden connections also raise serious questions about Internet freedom and the extent to which a 'deep state' may be monitoring ordinary Armenians.

With the nation's security apparatus at his disposal and the 'private sector' telecommunications sector under his grip, Kocharyan maintained a vice-like grip over the nation as he set about amassing his fortune.

While he himself enjoys almost unfathomable wealth, Kocharyan's activities have seen his people mired in poverty and picked off by criminal gangs. The widespread people trafficking that so afflicts Armenia and Nagorno-Karabakh is no accident, but a direct result of the nation's wealth being plundered.

Kocharyan is married, has two sons, one daughter and three grandchildren. All three children: Sedrak, Gayane and Levon are married. His three granddaughters are not yet at an age that would trouble the recruiters, enthusiastically buying up or simply snatching young girls across the poverty-sown regions for their burgeoning domestic and international sex-trafficking businesses.

His family will never have to face the unbelievable choice of giving up a daughter, knowing her fate, in order to ensure the rest of the family is not starving and homeless. Bella Kocharyan knows, as do Sedrak, Gayane and Levon, but are apparently content to go along with his actions.

Kocharyan's business empire – illicit and legitimate – has sucked the socio-economic life out of the nation. While sitting on a fortune, residing in palatial properties all over the world, and living a luxury lifestyle, the dream of an independent, free and prosperous nation has simply withered on the vine.

FOUR

ALL THE GODFATHERS

I'm well-known in the Armenian community. Remember the movie 'The Godfather' when they all go to the Godfather, they cry and he helps everybody? This is me."[117]

As boastful arrests go, it was pretty good. Sid Vicious of the Sex Pistols told police 'You can't arrest me, I'm a rockstar.'

But when it came to the self-described Godfather of the Los Angeles Russian-Armenian mafia, Hovsep 'Mike' Mikaelian, perhaps closer to the mark was the statement made by David Berkowitz, a.k.a. Son of Sam, a 24-year-old postal worker whose string of night-time shootings in 1976 and 1977 had terrorised New York. A smiling David Berkowitz asked police officers: "How come it took you so long?"

It was 1985 when United States authorities finally got to Mikaelian, who flaunted his wealth as he rode around the city in one of his two Rolls-Royces.[118] Without a thought for the girls he pimped, or the heroin he supplied, more appropriate perhaps would be Al Capone's quote that: "I would rather be rich, affluent and greedy and go to hell when I die, than live in poverty on this earth." How long would it take to bring down Mikaelian? Only a two-year sting operation had enabled a Los Angeles Police Organised Crime Intelligence Division task force to infiltrate Mikaelian's burgeoning crime network. Mikaelian was accused of directing a massive fuel scam, one charge amid a 135-page Federal Bureau of Investigation affidavit that detailed heroin sales, the

importation of women from Eastern Europe for prostitution and extortion from wealthy businessmen among Los Angeles' large community of immigrants from the former Soviet bloc.[119]

The Armenian Godfather had not learned, the dust only just settling from his controversial acquittal in the so-called 'Laurel Canyon murders', when four people were bludgeoned to death in a well-known drug den.[120]

On this occasion, his slick lawyers were encumbered with the sheer scale of his organisation and its illegal activities. Mikaelian, a.k.a. Joe McLean, pleaded guilty and served a decade in federal prison for running extortion, mail fraud, fuel tax evasion, narcotics and prostitution rackets.

Due to a drawn out legal process, including appeals, it would be 2006 before Mikaelian was released from federal prison.[121] He was now 56 years old. And, with a nearly $2.4 million restitution order hanging over him, not about to retire.

In November 2013, one Texas-based investigator wrote of his post-prison life: *Joe MacLean, a.k.a. Hovsep Mikaelian, is now a free man. Between his trips to Vegas and Armenia, however, he works selling used cars, which is probably a front for his parole and court obligations to get a paycheck. I doubt he's allowed to work in bars, casinos, entertainment, scams, etc., unless it's secret. And to spite the court, I read that he is only making $50 monthly payments towards his fine. $50 is the minimum, according to an article about Joe's release. His slimy lawyer claims that Joe has no income. On the eve of his arrest, he transferred "six figures" to an overseas bank, according to the Justice Dept.*[122]

At $50 per month, Mikaelian will have cleared his financial debt to his adopted nation by the year 6018. Yet, in reality, $2.4 million would not be too much of a stretch, the aforementioned regular trips to his native Armenia giving indication as to Mikaelian's more contemporary business portfolio.

Mikaelian may have considered himself an Armenian Don, but he has competition in claiming the title.

In March 16th, 1986, the world was still gripped by the Cold War, Ronald Reagan was in the White House and Mikhail Gorbachev was just settling into his corrosive tenure in Moscow. With the Soviet Union starting to come apart,

the *Los Angeles Times* informed its readers of a new threat to the world as they knew it. *Mobsters From Ex-Soviet Union a 'Real Threat,' Lungren Says*, screamed a headline in the newspaper: *California faces a "new and real threat" from mobsters from the former Soviet Union, Atty. Gen. Dan Lungren said Friday... "it is a threat. It is an emerging threat."*

Authorities estimate that there are now half a million immigrants from Soviet Bloc states in the Los Angeles area alone, 300,000 of them Armenians. Most live in the Hollywood and Glendale areas.

Describing elaborate fraud schemes, Lungren said mobsters who have arrived in California from the former Soviet Bloc have demonstrated a "level of sophistication that in some ways is startling."

...Operating in Los Angeles, San Francisco, San Jose, Sacramento and San Diego, Russian and Armenian organised crime has been linked to fraud of various sorts, extortion, narcotics trafficking, auto theft and murder, the report says.[123]

Another to appear on the scene in the United States is "Big Time" Armen Kazarian, also known by the nickname 'Pzo'. He headed the "Mirzoyan-Terdjanian Organisation" until the group went too far.

In October 2018, more than 50 members of the gang – mainly of Armenian origin and citizens of that country – were arrested in a string of law enforcement raids across America. Charges relating to the case would be filed in California, Georgia, New Mexico and Ohio, against more than 70 other mobsters.

In all, they falsely billed the government for $160 million. Prosecutors would state that the Armenian mob "puts the traditional Mafia to shame".

On July 8th, 2011, represented by famed high-price Californian lawyer, Mark Geragos, whose celebrity clients had included Michael Jackson, Kazarian pleaded guilty of racketeering in the Federal Court of Manhattan.

The Federal Attorney of the Southern District of New York told the court that the 47-year-old headed a criminal group which operated in both Los Angeles and New York. The Medicare scam was part of a very large crime iceberg.

"I was involved in a criminal conspiracy," Kazarian told the court through a

translator, as he and dozens of other Armenian gangsters faced charges of setting up at least 118 phantom clinics that used stolen patient details to embezzle more than $35 million in federal funds through Medicare.

"Today, Armen Kazarian pled guilty... convicted in the United States for racketeering," the Prosecutor said. "He will not be the last. His admission of guilt should become a signal for the international gangsters in the entire world. If you commit a crime in this country, we will find you and will bring you to charge to the strictest interpretation of the law."

It was not all bad for Kazarian, however. The Russian service of *Voice of America* referred to Kazarian as a *vor*, a Russian word similar to the word 'Don' used for Italian mob bosses. The tradition of the *vory v zakone* emerged in Soviet prison camps of the 20s and 30s; a "thief in law" was the thief other criminals relied on to settle disputes. *Vory* swore an oath to lead a "thieves' life," a code of honour requiring them to help other *vory*, devote their lives to crime, never work legitimately, and always tell the truth to another *vor*.

The notoriously vain Kazarian would surely have been proud of being recognised publicly as one of this elite.

Only he was about to do the unthinkable for a mob boss. Facing a life sentence for the massive Medicare fraud scheme, the Armenian cut a three-year 'sweetheart deal' with prosecutors. Federal District Judge Paul Gardephe cautioned Kazarian that he could not appeal if he was sentenced to 37 months or less, as per the arrangement. He agreed.[124]

It is almost unheard of for a supposed *vor* to cut a deal. Yet while several of Kazarian's underlings pled guilty to their crimes and were prosecuted accordingly, he turned informer on his own crime family.

After serving his lesser time in the United States, Kazarian would return to his ancestral homeland. He features elsewhere in this tome.

While the likes of Mikaelian and Kazarian would find themselves rumbled in the United States, and eventually find themselves rebuilding their criminal lives back home in Armenia, the phenomenon continues to be a problem for their adopted country. In 2014, the *LA Weekly* reported on a vast investigation that

aimed to pull down Armenian Power: *...an international, organised-crime group, which functions more like the mob than gangsters who flash their signs in the grittier stretches of Los Angeles and its suburbs.*

The FBI's operations were just part of a massive task force targeting Armenian Power, which also included the Los Angeles, Glendale and Burbank police departments, as well as the Los Angeles County Sheriff's Department, the United States Secret Service and other federal groups.[125]

After a massive investigation, Armenian Power would eventually be damaged, although not fatally, through the prosecution of many of its members, most notably kingpin Mher Darbinyan, also known as Capone and Hollywood Mike.

The United States is not isolated in its issues with this, however.

Europe got perhaps its first taste of mass law enforcement efforts to crack an Armenian gang when Czech and Austrian police were involved in a coordinated series of raids. More than 50 Armenians were arrested having been "active" in killings, racketeering and armed robbery, according to Austrian radio.

More followed. In June 2018, some 142 people were arrested across 72 raids in locations that included Barcelona, Madrid and Valencia. A Spanish police investigation into the Armenian mafia highlighted drug and arms trafficking, tobacco smuggling, money laundering, sports betting fraud and other crimes committed across Europe. The gang has alleged criminal links in the United States, France, Belgium, Italy and Lithuania.[126]

During the same period there has been much discussion over a 30-minute MDR Television documentary film titled "Godfather in Germany: The Armenian Mafia and Thieves-In-Law", exposing the Armenian mafia in that country. A joint investigation by reporters from the news magazine *Der Spiegel* and *MDR Television*, revealed that German law enforcement agencies had been secretly monitoring the Armenian mafia in the country for years. According to *Der Spiegel*, the police operation, codenamed FATIL (Fight against thieves in law), targeted 42 mafia members, while controversy swirled around Armenia's Ambassador, Aschot Smbatjan, and his close relations with criminal groups.

While Spanish law enforcement seemed successful, the German investigation

did not succeed as well, with *Horizon Armenian Weekly* reporting that *German Police Fail to Take Down 'Armenian Mafia'*.

Down Under in Australia, the *Daily Mail* reported on Armenian cocaine dealers, while the *Sydney Morning Herald* stated that crime families now operate *"from Armenia to Australia"*. There have been arrests of Armenian mafia members reported in South America, Asia and Africa.

For good measure, it was an Armenian-Belgian gang behind sweeping June 2018 arrests connected to a group that has corrupted professional tennis. Raids also took place in the United States, Germany, France, Bulgaria, Slovakia and the Netherlands following investigations promoted by the Independent Review of Integrity in Tennis that stated an "investigator described the extent of the problem at some lower level events as a "tsunami," according to *Agence France-Presse*.

Organised crime is not usually ranked among the highest priorities of global governance. Governments and law enforcement agencies speak of terrorism, cyberattacks and military conflicts. These are the metrics commonly used to measure the safety of our societies.

Yet the harm and effect caused by organised crime are arguably equally as pervasive. The results of mafia activities can be felt on a daily basis at the local, national and international level. These effects manifest themselves through symptoms such as insecurity, levels of violence, economics and the exploitation of state weakness.

Donald Cressey's famous analysis of organised crime in *Theft of the Nation*, which based his hypothesis on the example provided by La Cosa Nostra in the United States, emphasised the existence of a "nationwide illicit cartel and confederation". Yet perhaps the best template for Armenia can be drawn from Francis Ianni's seminal study, *Black Mafia: Ethnic Succession in Organised Crime*, which focused on the African American and Puerto Rican criminal networks in New York.

The latter understood mafia through a prism of patron-client relations rather than formal hierarchies.

With historically large diaspora around the world, followed by independence from the Soviet Union and the increasingly free movement of criminal elements, the rise of groups like Armenia Power, and others reported in Europe and elsewhere, was perhaps inevitable.

Some have been discombobulated through law enforcement efforts. Yet the fact that most exist along the lines of Cressey's loose confederations, and within the even more opaque patron-client relationships that Ianni describes, ultimately makes them somewhat impervious to anything more than disruption. They grow back. Like a cancer.

Armenia itself has always had its problems. Its homegrown mafia dominated life in the country. With the arrival in Yerevan of a new generation of hardened Armenian-American Godfathers, the likes of Mikaelian and Kazarian being just two, the nation was entering a new and even more radical phase in its delinquency.

On the one hand, it is a nation that boasts serene beauty similar to Lake Sevan, the cerebral monasteries of Haghpat and Sanahin, and other wonders. Yet the Caucasus republic has become more infamous for its political leeches, famed for sucking the economic lifeblood from their own nation and people.

Kocharyan *et al*.

In 2017, Armenia was ranked a meagre 35 out of 100 in the Transparency International Corruption Perceptions Index. *The Atlantic* wrote that ordinary Armenians had: *grown tired of broken promises, endemic corruption and the widening gap between the country's haves and the have-nots.*

Yet weighed down by a rich political elite, and a criminal underclass that has spun a web from Yerevan and across the world, any journey towards national redemption will be long and hard.

FIVE

THE WHORES OF STEPANAKERT

In 2000 United Nations International Children's Emergency Fund, together with the International Organisation for Migration and the Organisation for Security and Co-operation in Europe, conducted a study on the trafficking of women and children from Armenia. Those who have taken part in the study have said that the findings are alarming.[127]

In November 2001, the End Child Prostitution and Trafficking group, a global network of civil society organisations working to end the sexual exploitation of children, issued a seminal report. Five years on from the World Congress against Commercial Sexual Exploitation of Children, held in Stockholm in 1996, End Child Prostitution and Trafficking's 'Report on implementation of the Agenda for Action' provided insight into the health of the Agenda for Action.[128]

In Armenia, and certainly in Nagorno-Karabakh, which lays beyond the reach of law and order and outside the scope of studies and research by the international community, the situation was, to say the least, grave.

"They never talk about child prostitution. It's a taboo subject," says Mikael Danielian, head of the Armenian Helsinki Group. Commenting to the Institute for War & Peace Reporting, which states that: 'Few people in Armenia will admit that child prostitutes exist, let alone talk openly about it. That is making it harder to address the problem...'

We would come face to face with the horrific human reality of this failure on our visit to Nagorno-Karabakh.

Alex Khachaturian works in what passes for a coffee shop at the Vallex Garden Hotel in downtown Stepanakert, a stone's throw from the Presidential Palace. He wears the bored, unhappy look that many hotel employees do, uncomfortable in an ill-fitting, grey Vallex Garden uniform.

Amid a mix of scruffy tourists and some dubious-looking Iranians, Khachaturian visibly brightens when he sees three Western men eating breakfast alone. No accompanying women. Instead of the dismissive service of earlier, now we are the subject of a mini-charm offensive.

"Where are you going in Artsakh ?" "What are you seeing?" "Are you having fun?"

Eventually our new friend Alex came to the point. "Do you want some girls tonight?"

The Armenia mafia's snakeish empire may reach to Spain, Britain, Scandinavia and the United States, but it is in Armenia and Nagorno-Karabakh that it has its starting point and is at its most pervasive.

Stepanakert is somewhat sleepy at night. Once the Blues Bar on Shahumyan Square closed for good, that left the warm and eccentrically decorated Bardak Pub on Tevosyan Street as the only legitimate nightspot in the town. Several hotels nominally have 'bars' but none seem to add up to a social scene.

Alex, however, has a proposal. If we meet him in Shahumyan Square at ten, he will gladly show us where the real action is.

A little doubtful, we are at the appointed spot, under a fine statue of Bolshevik revolutionary Stepan Shaumian that evening. Considering where we are about to head, it is a fitting place to begin our journey. Shaumian was compared with the devil in official British documents produced a century ago, when he was at the pinnacle of his influence in the region.

Alex arrives on time in the driver's seat of a Lada that has seen better days. He is in high spirits. His breath smells of alcohol.

We are about to go whoring Stepanakert style.

On the way to our destination, our conveyance is visibly struggling as it climbs the town's undulating road system, wheezing and belching out fumes at the same time. We head down the town's main Azatamartikneri Avenue and make a series of right turns after passing Artsakh State University. Towards the last vestiges

of the shabby suburbs, we swing up the back of the town and arrive, fittingly, at the Monument of Immortality.

Turning down a dark road, the ambient light grows dim and we reach a blue minibus, parked by the side of the road. This is our destination. A handful of faces peer out from the windows of the minibus.

Alex is clearly a regular. He shakes hands with a man who jumps from the front, and the rear doors are thrown open. It is packed with young women.

The man barks angrily and the girls jump out quickly. Temperatures have cooled, it is chilly. We are, after all, in the mountains. Yet the dozen girls, wearing short skirts and stiletto heels, form an awkward line up and await inspection.

Alex invites us to move closer, to take stock, to select. A few manage a smile, but mostly they are impassive. Awaiting their fate.

Like a president inspecting a guard of honour, I uncomfortably make my way along, making eye contact, asking questions of Alex.

"This is Sam. She is from Dağdağan. She is hot, yes?

"Ahhh, Mariam. She will give you everything, brother. No problem."

"Hovsep'avan she comes from. Name is Ani..." he leans in, his voice audibly dropping as the attractive bleached blonde eyes me up and adjusts her skirt in order to show off much more of her thighs. She looks like a young Scarlett Johansson. Despite oppressive make up, alarmingly young.

"You will see her maybe in the Vallex Garden some afternoons... Big Boss likes her..."

Alex later tells me that 60-year-old Bako Sahakyan has recently taken a shine to Ani. Several afternoons each week she is transported to a suite at the Vallex Garden. Sahakyan's office is just across Shahumyan Square. He slips into the hotel, via a side door, and spends a few hours relaxing with Ani.

Alex is a little vague about Ani's age. Not that he's hiding anything. It is just not an issue. So he asks her. 15 she replies.

I abandon any pretence of being interested and move along the line of expectant girls.

The last in the group is Sofía. She is from Turkmenistan.

Alex makes a sucking sound through his teeth, indicating that she is trouble.

What appears to be a black eye, badly covered by makeup, indicates that a customer got fruity. Or that Sofía's owners did not care for her attitude.

My mind is made up by Sofía. She may be a bad girl, but she gives me a sly wink and speaks enough English to converse. Alex shakes his head in disapproval. She will go back to the Vallex Garden with me for the Dram equivalent of $125 where, I am told, she will provide anything I ask for.

"All holes," says Alex, with a filthy grin that makes me want to punch his lights out.

As we are discussing business, another car pulls up containing a National Assembly member. For a local personality he is surprisingly not bashful. He examines each girl, as one would look at a nice cut of meat in the local delicatessen. He elects to take Mariam with him, and drives off with her for the night.

Sofía turns out to be an enthusiastic guest in my room, especially when she is told that I won't be using any of her holes. I apologise for her situation.

"Don't worry, dear," she replies.

Night after night, this is a very familiar scene in the shadowy darkness of Stepanakert. Prostitution is technically illegal but the sex trade still thrives. The pimps recruit girls from across the territory. A few stay in the town, but most are shipped to the bright lights of Yerevan, or are sold on to the West.

Over several room service meals and a glass of wine, Sofía begins to tell her story. Hailing from a small town outside Ashgabat she was raised in a government orphanage. Introduced to a Turkmen who said he worked in Armenia and wanted to marry her, she willingly moved to Yerevan.

From there her story was alarmingly familiar. Almost a template. Heroin. Beatings. Acquiescence.

"I was shocked. I wept, shouted, and tried to fight. Nothing helped. I was beaten and threatened. I screamed that I would not do this. No way. Then they injected me. Then they beat me. I lost teeth and was in hospital. Still I said no. Then they injected me. Again. Again. Eventually all I wanted was more heroin. Then I agreed to do what they wanted."

Her 'look', best described as Euro-oriental, made her hot property for a time. She was passed around the clubs, including Nightclub Omega on Teryan Street. When the drugs and the lifestyle begun to take its toll she was demoted. To sex parlours. Then touting for business on street corners in the red light district. Then Stepanakert.

Like, for an example, a player in England's Premiership football league, she had now been relegated to the National League. Not many paydays remained. Injecting and sniffing heroin has left her a mess.

She left my room the following morning after a long, undisturbed sleep. And with enough cash to, hopefully, make a dash for Yerevan when the opportunity presents itself. Back in Yerevan we passed her details to the Embassy of Turkmenistan on Yerznkyan Street.

Along the busy streets, in dingy apartments and in hotel rooms around Yerevan, also in the backstreets around Stepanakert, countless women spend their days and nights being exploited in the commercial sex industry. The market for women's bodies is flourishing and scores of men line up to pay for sex.

Every prostituted woman in Armenia and Nagorno-Karabakh has her own story. Many of the women working in Yerevan's sex industry are tricked into coming on the promise of a marriage or a well-paid job.

Many are simply kidnapped from their hometowns and forced to work. Others are coerced by life circumstances beyond their control, like poverty, homelessness, and a history of abuse.

In Armenia, state policy in respect of the women of "licentious behaviour" during the Soviet period was based on repressive measures and their public condemnation. Society is different today, still somewhat conservative, yet certainly there has been a change in perception and attitude.

Yerevan-based Hope & Help, a non-governmental organisation was established by a group of physicians and psychologists in 1998. Hope & Help's 2001 *Report on Some Aspects of Commercial Sex Work in Armenia* makes it quite clear the base behind the rise of the industry: *The fact that the population becomes poor is the social consequence of the economic crisis, unemployment*

and unequal distribution of the most important social services – education, healthcare, market relations, corruption, income, etc. According to the official statistical data 55% of the population is poor, 23% out of it is rated as very poor.[129]

Since 2001 the economic situation has continued to remain dire. *Radio Free Europe/Radio Liberty* stated that: *Almost one-third of Armenia's three million people live below the official poverty level, according to the Asian Development Bank.*[130]

Due to this, the industry has only grown. It is an issue that Armenia itself acknowledges. *Armenia Has Become a Transit Point in the Sex Trade* cried the investigative journalist website *Hetq Online* in 2005.[131] More recently, with the industry out of control, Armenian news resource *Tert.am* had gone as far as to call for prostitution to be made legal in Armenia.[132]

A December 2007 report published by the United Nations Development Programme Anti-Trafficking Project, 'Republic of Armenia Law Enforcement Anti-Trafficking Training Needs Assessment', published by the Organisation for Security and Co-operation in Europe noted that: *The use of the services of a prostitute is not a punishable offence in Armenia.*[133]

It is an anomaly, not uncommon in many nations, that the law is relaxed in approach to the users. Overwhelmingly male. While laws and punishments are skewed toward providers. Overwhelmingly female. Even if the latter are underaged minors in Nagorno-Karabakh and Armenia.

In January 2017, one television channel commissioned a group of regional journalists from Georgia, Armenia and Azerbaijan to look into the industry. Their report, titled *Sex Workers in the South Caucasus: 'Is What We Do Amoral?'*, stated that: *In Armenia, prostitution is... [an administrative offense] punishable by fines. The exact amount of such fines is not defined by the Armenian legislation, but interviews with police lead to the conclusion that first-time violations are punishable by fines of up to 20,000 Dram ($41). Second time offenders are fined double.*[134]

What is clear from this is that the industry is widely tolerated and subject to laws and penalties that are in place merely to give the appearance of a functioning system. In reality it is open season for commercial sex.

In the California Night Club,[135] brightly signposted along the main highway between Armenia's airport and capital, the girls themselves credit the advent of scheduled Qatar Airways flights to Yerevan[136] as bringing with it a boom in business.

A new, golden age of sex tourism has dawned!

In Karabakh, a few hundred metres from the Monument of Immortality, built as a testimonial to the bravery of those who gave their lives to save the Soviet Union during the Second World War, teenagers are hooking from the back of a minibus. Several, claimed my guide with a sense of pride, were below what serves as the legal age of consent in most decent nations.

Indeed, so is the youngster who is currently the favourite of the man running the territory, for his afternoon delights.

Individuals aged 15 or younger in Nagorno-Karabakh and Armenia are not legally able to consent to sexual activity, and such activity may result in prosecution for statutory rape or the equivalent local law. Maybe.

If the pertinent authorities are stretched. If political and law and order figures are purposefully looking the other way. Whatever the reason. The laws governing commercial and underage sex are being ignored.

This situation is exacerbated by the ragged state of social services in Nagorno-Karabakh and Armenia and, not least, the way orphanages have become recruitment factories for the sex industry. Both administrations face agonising funding decisions given their deep economic issues.[137] This has put pressure on those most susceptible to a lack of basic services.

Extremely vulnerable to being groomed and recruited by traffickers hundreds of at-risk children go unaccounted for within the orphanage system. George S. Yacoubian, Jr. serves as chairman of the Society for Orphaned Armenian Relief. Based in Pennsylvania, the group raises funds and does undoubtedly good work, yet Yacoubian warns: *Children in Armenia are more vulnerable to the consequences of poverty than any other age or social group, resulting in increasing numbers of orphans, institutionalised children and children living on the streets. There are nearly 1,500 children living in Armenia's 16 state and privately funded orphanages, and government expenditures on social services are very low and offer little in the way of a social safety net... Armenia remains*

a source and, to a lesser extent, destination country for men, women and children subjected to sex and labour trafficking.[138]

From where does this apparent *laissez-faire* approach to the sex industry come?

No one is saying on record. But that is not to say that people are stupid. Even more seriously, certainly, is what is at the root of the apparent disappearance of so many children through society's cracks?

One Western non-governmental organisation official based in Armenia compares those who prey on children in Armenia to the Child Catcher, an antagonist of the classic film *Chitty Chitty Bang Bang*, employed by Baron and Baroness Bomburst to snatch and imprison children on the streets of Vulgaria.

It is not an unappealing linkage, although in that classic 1968 family film the Child Catcher does not have his captives forcibly hooked on heroin and pressed into the sex industry.

In *Chitty Chitty Bang Bang*, parents whisper his moniker. The Child Catcher is a bogeyman who could snatch their children at any time. Across Nagorno-Karabakh – like Vulgaria, also essentially a fictional nation – and Armenia, the criminals that inhabit this humanitarian basement are the stuff of nightmares, their bogeymen.

The Institute for War & Peace Reporting, an international network of organisations headquartered in London with coordinating offices in Washington and Amsterdam, published a startling Caucasus report which stated: *Underage prostitution is growing as more young people end up on the streets. Few people in Armenia will admit that child prostitutes exist, let alone talk openly about it. That is making it harder to address the problem as increasing numbers of vulnerable young people end up living on the street...*

The number of children who live on the streets of Armenia has multiplied because of a rocketing divorce rate and falling standards of living... Child vagrancy still ranks very low on the government's list of priorities and there are very few agencies dealing with the problem...

The police by and large ignore street children begging or prostituting themselves, because they rarely have any cash worth extorting. Unless they get involved in violence or theft, they are left alone...[139]

The corrosive effect of this on society is clear. The nation's pimps and recruiters supply everything from the sex clubs in Yerevan, to the street walkers in major cities and the minibuses that hover around Stepanakert's back streets. Along the way they also service politicians and administrative officials with sex and money.

Initiatives such as the Agenda for Action remain sidelined and little more than paper given the financial incentives behind the industry. Significant changes have not taken place to better protect children. Existing initiatives remain at the legislative or policy level without any effective implementation.

The same applies to prostitution and the sex industry at large. A subsequent End Child Prostitution and Trafficking report, 'From Stockholm to Yokohama: The Global Partnership to Combat Commercial Sexual Exploitation of Children', added: *In Armenia, a major part of the child sex tourism industry is connected to the vast numbers of Armenian children that are trafficked from one city to another, within Armenia or from Armenia to other countries.*[140]

For whatever reason, the truth of the situation as assessed by internationally recognised authorities is that policy and law frameworks in Armenia are constructed with a surprising and telling degree of ambiguity. Why that would be, one should make one's own conclusion.

Save The Children's 'Child Rights Situation Analysis: Armenia' for 2015, summarises that: *The study revealed that the Republic of Armenia has ratified the key international treaties concerning the rights of the child; however, a few very important optional protocols still remain not ratified. At the same time, the newly adopted draft laws on the rights of the child are not required to be assessed according to Republic of Armenia legislation, in contrary to the legislative requirement to assess the impact of legal acts in a number of other fields.*

Regarding the Republic of Armenia Law on the Rights of the Child, the activities for the protection of the rights of the child are carried out in the manner and timeframe foreseen by the annual programmes, however, the assessment showed that these programmes have a lot of shortcomings.[141]

The same report says of the child protection regime in Armenia: *According to the results of the study, Republic of Armenia legislation associated with protecting the child from an insult, absence of care, indifference or rude treatment*

is not clear: in particular (a) the description of these phenomena and a struggle against them are still in the state of drafting; (b) not all incidents of violence are punishable under criminal law in the Republic of Armenia, (c) any manifestation of violence against the child is conditioned by the fact that the child is either not perceived or is partially perceived as an individual by the society, (d) children are still subjected to physical and psychological violence as methods of upbringing, (e) there is no separate legal act or a single and comprehensive document on physical and psychological integration of children and their social reintegration, (f) so far there is no legislation in the Republic of Armenia on juvenile justice.

Almost the shortest message on this appalling situation was delivered by the International Organisation for Migration, following a study funded by the Ministry of Foreign Affairs of the Netherlands, the United Nations International Children's Emergency Fund and the Organisation for Security and Co-operation in Europe. This stated bleakly: *Trafficking in human beings has become a global problem and a number of developing and transition countries are affected as countries of origin. Unfortunately Armenia is not an exception.*

After a long week in Nagorno-Karabakh, as we were checking out of the Vallex Garden Hotel in Stepanakert, we met a familiar face. Also in the reception was 15-year-old Ani. A second after seeing me, a flicker of recognition crossed her face. She remembered us from that darkened street near the Monument of Immortality, just a few days earlier.

"Sofía friend" she said, using what little English was at her disposal. She looked at us and delivered perhaps the shortest and most palpable summary of the situation as it currently stands in that territory, and in Armenia.

"Please... help me also."

SIX

THE NEW KHANS

Life should not be like this in Nagorno-Karabakh. The people were sold a lie. Today, numbering 150,000, existing should be somewhat more comfortable. Nagorno-Karabakh may be mountainous, but it is imbibed with tremendous mineral wealth, timber and vast tourism potential. Even allowing for the isolation that comes from being an international pariah, the socio-economic potential should be well beyond where it currently lays.

With a 2017 estimated GDP of $563.6 million, according to International Monetary Fund figures this would leave the territory below Dominica and above Tonga, the 184th sized economy in the world from 190 listed.[142] World Bank figures, from the same year, would place Nagorno-Karabakh almost in a tie with Dominica, 180th out of 188 economies ranked.[143]

It is a dire situation. Nagorno-Karabakh is the equivalent of one of the poorest places in the world. If one can count the territory as white and Christian, therefore European, one has to look up to 155th place in International Monetary Fund figures to find the next European state, Montenegro, whose economy stood at around $4.5 billion in 2017.

It is a bright autumn day when we head out of central Stepanakert, along Vagharsh Vagharshyan Street. Stepanakert reaches out across hills and valleys, undulating all the way. We pass the town's ramshackle and hopeless Soviet era

housing, mired in a state of benign neglect for a quarter century and more.

Vagharsh Vagharshyan Street leads up, out of the centre. Eventually we arrive at the small and rundown army base, and get out on foot. Along Gyurjan Street and Gyurjan Lane, instead of the low-rent Soviet homes seen elsewhere, there is a gated community. High walled. Some big looking security guards eyeball us on our approach. They are correct to wonder who these foreign folks are. Locals would not have the impudence to hang around and stare at this place. Because this is where the modern day khans reside.

Stepanakert is the Armenian name for the town, meaning the 'city of Stepan', and is named after Armenian Bolshevik revolutionary Stepan Shaumian.[144] This is somewhat provocative towards Azerbaijan. Shaumian, whose statue is prominent in the town, was in power in Baku during the early 1900s when communal violence claimed the lives of perhaps tens of thousands.[145]

Interestingly, however, the original name of the town was Khankendi, Turkic for "the khan's village".[146] It was established as a haven for the Nagorno-Karabakh elite, its political and economic leaders.

In the area around Gyurjan Street and Gyurjan Lane the town's new khans are making their homes. Perched on a mountain slope that allows them to overlook the town and its ordinary citizens. From the road outside one can just about make out the family home belonging to Hovsep Mikaelian.

One burly guard approaches. He speaks no English but it is pretty clear from his angry demeanour that I am not welcome although I am standing on a public street to admire the vistas.

This is where 'new money' resides, on a hillside overlooking the city. Their city. Along Kharkovyan Street we find a plush new villa under the final stages of construction. It even comes with a guard house. Who in this sleepy corner on the Caucasus needs security guards outside of his palatial home?

"This house Ruben Tatulyan," grumbles our driver. We scramble onto *Google* to see who the owner is.[147] Over the course of our week in Nagorno-Karabakh we come across Tatulyan's fingerprints several times. Tatulyan has denied any links to the criminal underworld in Russia, claiming to be a law-abiding

businessman and at one point was named as an official advisor to Armenian Minister of Foreign Affairs Edward Nalbandian. The United States Department of the Treasury suggests otherwise.

Why the "King of Russia's Black Sea Coast" would quietly be building a home in Nagorno-Karabakh would only later become clear.

By the time we are heading back into town, it is still a crisp, cold, yet busy morning in and around Shuka, the main bazaar, located close to the centre of Stepanakert, just off Azatamartikneri Avenue.

Small traders hawk their wares, pressing shoppers to sample fresh fruits, vegetables, spices, pickles and some suspiciously grey-looking meat, allegedly fresh beef.

Dotted around are stalls selling Korean clothes and Chinese electricals.

Amid the cries of those hustling for customers, the air is fresh with the enticing aroma of freshly-baked breads – *zhingyalov hats*, a dough pancake filled with greens and herbs, and *trteruk*, a sweet bread.

The locals enjoy them with a local red wine, even in the early mornings, an alcohol buzz perhaps helping to offset the struggle of everyday life and, not least, the chilly wind of this particular day.

Each day stallholders set out an array of handmade crafts, hoping to sell to the few tourists who stumble onto this scene. A few hardy Americans and Europeans make it, but not many.

Official statistics show that around 15,000 tourists pass through the territory each year.[148] South Sudan, the world's newest country, mired in war for decades and now embroiled in civil strife, gets greater numbers. The administration in Stepanakert concedes that a majority of those 15,000 are Armenians or Armenian diaspora. Foreigners like us are in short supply.

Of those who do choose to holiday in Nagorno-Karabakh, too many are the thrill-seeking backpacking variety who, say those who eke out a living here, are somewhat thrifty. High-spending foreign visitors are, it seems, put off by newspaper headlines over a frozen war that periodically thaws and becomes a nasty tangle with Azerbaijan forces.

This lack of customers maddens Amanor Papazian. Her face grizzled and lined from three decades of working in all weathers at Shuka, Papazian has more than a few complaints:

"Every year there are more sellers and less buyers. Our own people struggle to survive. And the foreigners still don't come."

Papazian does not see the irony in her statement. Born and raised in Gyumri, Armenia's second largest city, she arrived in Nagorno-Karabakh as part of an assisted emigration programme that helped thousands of poor families from Armenia resettle in the territory.

The Government of Armenia and administration of Nagorno-Karabakh have engaged in socio-gerrymandering but, while their concerns were purely political, it represented a fresh start for Papazian and thousands like her. She could herself be considered a foreigner, of course, but after nearly three decades toiling at Shuka, she believes herself every bit a citizen of Nagorno-Karabakh and, therefore, entitled to complain loudly.

"Sahakyan *(Bako Sahakyan)* and his lot make all the money, and we are left with scraps," she says, waving her arm dismissively in the general direction of the office of the territory's head. "The only people who make any money are the mafia, politicians and that lot in there.

"Dirty bastards."

The subject of her ire then quickly switched to Blues Bar, a drinking establishment on Shahumyan Square. When we were in the town it had been closed for several weeks. A stone's throw from Sahakyan's offices and the National Assembly, Blues Bar had become an embarrassment that even the administration could not ignore.

Something of a Mecca for foreigners and upscale locals, this attracted a few working girls. The cheap local *oghi*, an Armenian spirit distilled from fruits or berries, cheaper local *Kilikia* beer and even cheaper girls, had proven a potent mix.

Throwing in even cheaper heroin, freely available as tonnes of the stuff is smuggled through Nagorno-Karabakh, only exacerbated the situation. The 'farm gate' price of one kilo of opium in Afghanistan is $100 at best.[149] Before consignments reached the streets of Europe, some would get to users in Nagorno-

Karabakh and Armenia, of course, where, due to high grade and low price, it had become almost as freely available as cigarettes.

With an increasingly bawdy reputation, the authorities were forced to step in and deal with the Blues Bar.

"The girls in there charged by the hour what I earn in two weeks," says Papazian's immediate neighbour in Shuka, Aykanush Tumanyan, speaking with some venom about Stepanakert's burgeoning community of whores.

"I would ask you why they allow all these. But we saw. Sahakyan's people were in there every night."

Like Papazian, Tumanyan is also a relatively newcomer to the town. She and her husband arrived in the territory seeking a new life, and new markets for her spouse's business enterprises.

Sadly, though, his commercial interests would ultimately lead to his demise and leave her swapping Gucci dresses to selling fake Gucci fragrances in an outdoor market. Her fall from grace is complete. Her husband's business was drugs.

Khachik Tumanyan had – ironically – served with Soviet forces in Afghanistan in Leonid Brezhnev's disastrous conflict there. His task, as one of Brezhnev's loyal airmen, was to fly troops and munitions to Kabul, returning home with an empty aircraft, and then repeating the journey.

As an aspiring businessman, however, he quickly saw the opportunity and began filling his empty aircraft with opium on the return leg. His enterprise, and with others doing the same, had flooded the Soviet Union with cheap drugs and may have had more to do with the collapse of Moscow's empire than the efforts of Ronald Reagan, Margaret Thatcher and the witless Mikhail Gorbachev.

In February 1989, the Soviets withdrew from Afghanistan.[150]

By then Khachik was no longer an airman. He had built a thriving business and was looking to expand his operations into new markets. Working from his hometown, Yerevan, he spotted another niche. Stepanakert.

For some time Khachik's business thrived there as well. But, as Nagorno-Karabakh's door became increasingly open to various forms of transnational organised crime, he quickly became a small fish in a big pond. As such, his operations were an irritant to those who sought to control the territory.

He was gunned down just outside the town of Martakert, his death reported by local police as a robbery gone wrong. She says Aykanush Tumanyan knows otherwise. As do the police. As do the government. But no one talks about it.

In Nagorno-Karabakh it is bad politics, bad for the economy and, indeed, bad for one's health, to speak openly about the territory's most profitable industry. And to voice concerns regarding one of the biggest personalities in Stepanakert was bad for your health.

In 2017, influential Armenian news site *Lragir.am* reported: *The United States Department of Treasury has announced financial sanctions against 10 "thieves-in-law" connected to a syndicate, including the Armenian Ruben Tatulyan also known by the nickname Robson... According to the United States Department of Treasury, the purpose of sanctions is to hit the financial infrastructures of a transnational crime syndicate. According to the United States authorities, in 2010 Ruben Tatulyan was designated "supervisor" in Sochi. In 2015 he was arrested during a meeting of thieves-in-law in Sochi...*

Ruben Tatulyan is a member of the Investors Club in Armenia initiated by Prime Minister Karen Karapetyan and the tycoon Samvel Karapetyan.[151]

Tatulyan did not know Khachik Tumanyan personally. However he as good as pulled the trigger. Tatulyan did not like freelancers. They are loose ends in a business where control means everything. What do you do with loose ends? For the sake of business, you rid yourself of them.

While Aykanush Tumanyan and Amanor Papazian busied themselves in Shuka hustling a few Dram, across town in Gyurjan Street and Gyurjan Lane, it is a supreme irony that wealthy businessmen like Tatulyan and Mikaelian maintain huge villas overlooking the "village of khans". The powerful in Nagorno-Karabakh today are not kings, but the masters of the criminal world. These are the new khans. Rich. Powerful. Well-connected.

Transnational criminals criss-cross the planet, conveying drugs, arms and trafficking women. Hundreds of billions of dollars of dirty money flow through the world every year, distorting local economies, corrupting institutions and fuelling conflict.

The game of cat and mouse between global criminal enterprises and law enforcement is one that is played out every day. Transnational organised crime thrives in the world's black spots, failed states with no central government and having fallen off the international grid, like Afghanistan, Mali and Somalia.

Otherwise they rely upon pliant hosts, European outposts like Albania, vulnerable Pacific Islands and lawless nations like Venezuela and Yemen.

By contrast, Mikaelian grasped that operating from the leafy vistas and remote mountain pastures of Nagorno-Karabakh represented an almost too-good-to-be-true opportunity.

Every year its drug lords seek ways to export 9,000 tonnes[152] of opium across Afghanistan's borders and to industrial operations in Iran, Pakistan and Russia that refine the drug into heroin, ready for sale in Europe. Every year, the international community makes it a little more difficult. Every year, the narcotic industrial complex looks for new and reliable means of evading law enforcement.

The European Union acknowledges in its European Neighbourhood Policy report, that this Caucasus route, pioneered by the likes of Tatulyan and Mikaelian and now a key spoke in the global business, gained a significant role as a "smuggling and trafficking route".

Throughout the 1990s, Europe experienced a heroin epidemic that was accompanied by increasing levels of users injecting the drug, together with growing concerns about drug-related HIV and HCV infection.

Yet that mattered little to either those providing political cover to the operation, or to the 'businessmen' who were facilitating it. It was so lucrative for Tatulyan that he was willing to protect his business at all costs. As Tumanyan would learn.

With a pliable government desperate for hard cash amid an international economic freeze, and a political leadership ready to enrich themselves, Tatulyan and Mikaelian would be among first of the 'New Khans' in Stepanakert. Others would quickly arrive.

"Many smugglers don't even bother hiding their wealth," said a British diplomat, quoted in Britain's *The Guardian*. "It's their way of saying 'screw you' to authorities."[153]

SEVEN

FULL WOOD

Andranik Margaryan did not listen. Some stones are better left unturned. In 2000, Margaryan was appointed Prime Minister of Armenia in the wake of the 1999 parliament shooting that led to the murder of then Premier Vazgen Sargsyan.[154]

Sargsyan's murky death, of course, had served to provide ground for a political coup that saw the nation fall completely under the grip of President Robert Kocharyan.

If anyone did not absorb this as a warning as to Kocharyan's intentions, the murder of his Premier in order to solidify power, then they were not listening.

For Margaryan, his arrival in the job represented a shocking rise to prominence. While those around him, including Kocharyan, were kowtowing to Moscow, Margaryan had been a long-time critic of totalitarian Soviet rule.[155] He spoke out on this taboo subject and envisioned an independent, democratic Armenia. For his temerity, he was repeatedly arrested and beaten and, eventually, spent several years in a *gulag* as punishment.[156]

When released, Margaryan would eventually go quietly into academia. As late as 1995 he continued to serve as a low level researcher at the State Architectural University.

Yet, five years later, he was almost plucked from obscurity when appointed Prime Minister. Most observers considered him a patsy, an empty shirt who would sit in that position and do as the President bid.

It seemed, perhaps, that Margaryan did not get the memo, however. It is difficult to believe that he could have been so naïve. The price for his tone deaf observation of the situation would be paid by one of his closest allies.

Gagik Poghosyan was a former Minister of State for Revenues and Chairman of the Governmental Control Service. He had been a constant irritant to the ruling elite as the nation's wealth has been divided up between them. As Minister of State for Revenues, Poghosyan's assessment had highlighted widespread corruption and cronyism in the exploitation of Armenia's natural wealth.[157]

His appointment as Special Advisor and head of the Prime Minister's Oversight Service had understandably raised eyebrows.

In 2001, Margaryan ordered Poghosyan to undertake a forensic audit of the Ministry of Nature Protection and of State Property Management, along with several other departments. Margaryan was looking at his country's minerals and mining industry, with particular focus on mine ownership, tendering processes (or lack of) and exploitation.

This was an incredible challenge to the ruling elite.

Poghosyan's task was to produce an official report, in the name of the Prime Minister's Office, which provided systematic analysis of who owned Armenia's national assets and how they obtained that ownership. Embarking upon this project would, ultimately, come with a price.

More than anyone, Kocharyan had seized upon this natural wealth. Ultimately he would have come into the crosshairs of any investigation, along with family members and his personal power circle.

The President had a problem though. To quote, and then paraphrase, Oscar Wilde in *The Importance of Being Earnest*: 'To lose one parent may be regarded as a misfortune; to lose both looks like carelessness.' For Kocharyan, to lose one Prime Minister would be regarded as a misfortune; to lose two would seem like more than carelessness.

Margaryan had to stay. Whatever.

Police said the device went off at around nine in the morning. When Poghosyan opened the door of his home, as he left for work, it triggered a grenade

that was attached to the handle. After the blast Poghosyan was able to stumble down to the ground floor of his apartment building, before collapsing. He was pronounced dead at the scene.[158]

The same day State prosecutors opened an inquiry into what they described as a "premeditated murder".[159] A short official government statement offered condolences to Poghosyan's family. Despite a senior official in the Prime Minister's office being murdered with a grenade, the statement stopped short of describing Poghosyan's "tragic death" as an assassination.

It could perhaps be considered fortuitous for those behind the killing of Gagik Poghosyan that they chose September 11th, 2001, to murder him. The world, of course, was fixed upon unfolding events in New York, Washington and Pennsylvania.[160] News of the brutal killing of an advisor to the Prime Minister of Armenia barely registered.

It did register, however, with Margaryan. If you play by the rules of the 'Karabakh clan' – Kocharyan and Sargsyan – and provide acquiescence and silence, you can indeed survive and even prosper. Margaryan's son, Taron, became close to Sargsyan and served as a Mayor of Yerevan between 2011 and 2018.

Margaryan would serve as Prime Minister until 2007, when he died of a heart attack.[161] During the remainder of his seven years as Premier, he would cause Kocharyan no further headaches.

One year on from Poghosyan's death, in September 2002, the General Prosecutor's Office of Armenia announced that it had ended its investigation into his murder. No suspects had been pinpointed.

Whomever had ordered, orchestrated and undertaken the execution of Poghosyan had silenced those who would have attempted to stop the process underway. Across Armenia and Nagorno-Karabakh a veritable gold rush was now underway, unimpeded.

In 2016, the International Criminal Police Organisation and the United

Nations Environment Programme issued a 'Rapid Response Assessment' titled 'The Rise of Environmental Crime'. In a joint statement United Nations Under-Secretary-General Achim Steiner and INTERPOL Secretary-General Jürgen Stock wrote that: *...the scope and spectrum of this illegal trade has widened... The growth rate of these crimes is astonishing. The report that follows reveals for the first time that this new area of criminality has diversified and skyrocketed to become the world's fourth largest crime sector in a few decades, growing at two to three times the pace of the global economy. INTERPOL and UNEP now estimate that natural resources worth as much as $91 billion to $258 billion annually are being stolen by criminals, depriving countries of future revenues and development opportunities. Environmental crime has impacts beyond those posed by regular criminality. It increases the fragility of an already brittle planet. The resulting vast losses to our planet rob future generations of wealth, health and well-being on an unprecedented scale. They also compromise our ability to achieve the Sustainable Development Goals.*[162]

The winding Vardenis-Mardakert Road rumbles constantly with the dull pain of old, worn trucks attempting to navigate their way towards Armenia. We know this only too well. Our small people carrier, our driver, and ourselves, find our way almost into a direct confrontation with the bonnets of several fellow travellers.

Once or twice we go a little too close to the edges of some tight mountain passes. Yet our hairiest moment of the trek into the heart of Nagorno-Karabakh came when a timber truck disgorged its huge cargo of logs, when failing to stop on a steep downwards stretch. A few minutes earlier and we may have been flattened. Tragically, the driver of the truck was.

The road into Nagorno-Karabakh is a triumph of engineering over nature. Think the Alpe d'Huez in the French Alps, famous for its 21 hairpin bends, or Lysevegen, famous for its 27, or the Trollstigen Road with its 11 characteristic curves.

The traveller leaves behind Lake Sevan and the flat plains of Armenia's poverty-stricken agricultural heartlands and takes on the steep gradients of the

imposing Lower Caucasus Mountains in order to get to Nagorno-Karabakh.

Roads winding up mountains are formed into hairpin turns, a sharp bend in a road on a steep incline. Tight switchbacks take us down the other side and, then, onto what seems another, in an unceasing series of mountains to be traversed.

Despite a new more modern road nowadays, paid for by Armenians living abroad,[163] the stunning scenery of Nagorno-Karabakh is at odds with the treachery of the road.

A myriad of cows wander aimlessly along the tarmac. Boulders fall from badly trained rock faces above. Some of the cars and trucks are decidedly Soviet-era, along with some of the driving practices that guide them.

Drivers dart out along the sharpest of turns, slamming their cars back into their lanes at the first flash of oncoming disaster. Most of the time they make it.

The lethality of the roadway stems from the unique mix of geography, the road itself and drivers' disregard for the laws of physics. Under the circumstances, not least demanding topography and feather-weight road crash barriers that regularly allow cars and trucks over into the valleys below, you might imagine that those behind the wheel would proceed slowly, crawling and craning their necks to guard against oncoming traffic whipping round the next curve. Not really.

In September 2017, Armenian President Sargsyan and Nagorno-Karabakh leader Bako Sahakyan ceremonially opened the new highway connecting Armenia to the territory,[164] cheered enthusiastically by a delegation of politicians, religious leaders and Armenian diaspora.

The 71.5-mile Vardenis-Mardakert highway better connects the breakaway state's capital, Stepanakert, to Armenia's eastern Gegharkunik province.[165] The highway cost some $35 million dollars, with around half funded by Yerevan and Stepanakert.[166] The balance came via telethon pledge drives, broadcast from Los Angeles by the Hayastan All-Armenian Foundation, a Yerevan-based non-governmental organisation.

Thousands from within the Armenian diaspora, especially in the United States, stumped up personal donations in order to further the dream of Artsakh.

In theory a boon for socio-economic development, Vardenis-Mardakert also has a clear strategic significance. During an April 2016 eruption of violence along the Nagorno-Karabakh-Azerbaijan line-of-contact, the then-partially completed road allowed soldiers to quickly move between Armenia and the zone of conflict.

But the sheer brilliance of the scheme was to have people from all over the world pay, for a piece of key infrastructure that provides most benefit to those in power.

On May 27th, 2017, President Bako Sahakyan attended a meeting of the Hayastan All-Armenian Fund Board of Trustees in Yerevan. He pointed to the strategic, political and socio-economic significance of the road, which would boost the movement of goods and minerals in and out of the territories and to markets and processing units in Armenia and other countries.[167]

Sahakyan's view was mirrored by other statements that have appeared in various media outlets. According to Alexander Kananyan, a resident of Kalbajar whose comments were reported in *Caucasus Knot* on January 12th, 2012: *The road bypasses all main villages and the district's main town, Karvachar, by about 18 kilometres. That's why the new road is being built primarily for freighting, rather than for the locals.*[168]

Additionally Karen Shakhramanyan, who headed urban planning in the territory's administration, says the road: *...has strategic and economic importance, as it is convenient for freighting and realisation of perspective programmes in the mining sphere – Drmbon gold mining factory and Maghavuz coal factory, which are both located in the Martakert region of Nagorno-Karabakh.*[169]

The Hayastan All-Armenian Fund is, in itself, a brilliant concept, the creation of President Levon Ter-Petrosyan in 1992. Today the group says of itself: *It is a unique institution whose mission is to unite Armenians in Armenia and overseas to overcome the country's difficulties and to help establish sustainable development in Armenia and Artsakh. In addition to those problems associated with the break-up of the Soviet Union, the government had to find solutions to*

the aftermath of the 1988 Spitak earthquake, an economic blockade and the rehabilitation of areas that had suffered from the Artsakh conflict. The work of the Hayastan All-Armenian Fund is implemented with the active participation and support of its 21 affiliates and partner organisations in 19 countries.[170]

Under the Fund's charter, the Armenian President – for two decades either Robert Kocharyan or Serzh Sargsyan – would serve as President of its Board of Trustees.

Although no one can question the merits of the fund's work to improve schools and social services, and its roots to transform infrastructure such as the 1990s, Goris-Stepanakert Highway, the 169 kilometre North-South 'Backbone' road, has steadily emerged is a rat's nest of graft.

While vigorously raising funds from Armenian diaspora all over the world, endemic maleficence had emerged over recent times, not least when the National Security Service arrested the organisation's executive director for using money to fund an online gambling addiction.[171]

Over the last two decades, the diaspora has been systematically tapped for money to support a hard sold nationalist cause. All the while, the most dramatic beneficiaries of this largesse have been those aforementioned Board of Trustees heads.

Nagorno-Karabakh's improving road system had supported their personal economic activities. And the asset stripping of the territory – and indeed Armenia itself. A worsening scenario prompted famed French-Armenian singer Charles Aznavour, who served as Armenia's ambassador to Switzerland and UNESCO, to condemn the situation. Speaking to *Nouvelles d'Armenie* newspaper in March 2017 he stated that: "Not 3.6 million, as the authorities claim, but 2.3 million people live in Armenia. And the daily deterioration of the situation in Armenia benefits the rich hooligans and members of the mafia... I know unbearable stories about the mafia of Armenia. Farmers are starving on their lands – mafia members and criminals do not let them live."[172]

As we make our way through Nagorno-Karabakh, cows and the falling boulders are one thing. Another is the seemingly endless procession of timber

trucks, lumbering along towards Armenia. Illegal logging on a vast scale has stripped huge areas of forests across Nagorno-Karabakh.

Armenia is itself one of the least forest-covered countries, covering less than 10% of the total area.[173] Hence, continuing deforestation of already scarce trees presents a significant environmental threat, loss of habitat and biodiversity, and lost governmental revenue from the alternative benefits of the forest (e.g. tourism development). Using satellite image data – Landsat – which avoids unreliable governmental figures, experts have extrapolated that the annual deforestation rate for the period of 2000 to 2006 was about 2,400 hectares of the forestation cover.[174] Accordingly, Armenia's forest cover dropped from 300,000 hectares in 1993 to 232,000 hectares.

All evidence is that the situation has continued since this analysis, with the United Nations Economic Commission for Europe stating in 2017 that: *Armenian forests are among the most threatened ecosystems, with degradation accelerating, largely attributable to deforestation and overexploitation.*[175]

The loss of tree cover has not come without a price. The European Union Action to Fight Environmental Crime, is a collaborative effort of 11 European universities and think tanks coordinated by the Ecologic Institute which stated in its 2015 report: *Mining practices in Armenia have put considerable stress on the environment. Mining has contributed to rapid deforestation in the country. Between the 1990s and today, the area covered by forests has dropped from 20% to around 7%.*

The World Bank calculates that at the current rate, Armenia might lose all of its forests by 2030. In turn, the loss of forests causes the extinction of endangered species and the loss of rare plants. It will also lead to landslides that pose a direct threat to peoples' lives, taking into account that many mining sites and villages are located in close proximity to Armenia's mountainous areas. Mining also leads to a loss of arable land, depriving many farmers of their means of subsistence. Mining therefore especially hurts the already impoverished population of Armenia's rural areas.[176]

For agriculture especially, erosion has become a major problem, affecting some 60% of agricultural land. This is mainly attributed to logging and the uncontrolled overgrazing of pasturelands. Corruption and poor management has

seen the Ararat valley, which stretches for 90 kilometres along the Armenian-Turkish border in the south-west, Armenia's most important agricultural region, drying up and facing increasing desertification.[177]

Armenia gets by, however. Thanks to its illegal holdings to the east. According to the report 'Illegal economic and other activities in the occupied territories of Azerbaijan', published by Azerbaijan's Ministry of Foreign Affairs in 2016, out of 4.1 million hectares of agricultural lands across the country, some 1.2 million hectares, including 139,336 hectares of irrigated land and 34,600 hectares of vineyards and orchards, are within the 20% of territory held by Armenian forces.

According to the Seoul-based International Policy Digest's Economic Impact of the Nagorno-Karabakh Conflict report, the land mass seizes would represent a grave economic loss for Azerbaijan, responsible for some 24% of grain revenues, 4% of liquor production, 46% of its potato crop, 18% of meat production and 34% of milk. *International Policy Digest* adds that: *Armenia seized about 25% of the total forested area of Azerbaijan and various rich deposits of mineral resources such as gold, chromite and copper. Using these deposits Armenia claims that it has become one of the world's leading exporters of precious metals.*[178]

Quoting Russian independent analyst and researcher Alexey Baliev, *Lragir.am* notes that: *...more than 30 Armenian companies are extracting gold and other resources in Nagorno-Karabakh. One of the gold mining companies of Armenia, having started its activities in this region in 2001, has since extracted more than 16 tonnes of gold, in 2008 alone over four tonnes...*

...just in Nagorno-Karabakh there are 155 explored natural resources deposits, mainly with industrial reserves, including five gold, six mercury, two copper, one lead, one zinc, 14 gemstones, nine gypsum, four marble, ten mineral water, seven therapeutic mud. And according to the 2008 Ministry of Industry of the self-proclaimed Nagorno-Karabakh Republic, deposits of numerous types of metals, especially zinc, lead, copper, gold, pyrite, iron, have been discovered since ancient times. The region also has many deposits of marble and marble limestone with a variety of colours...

Agreed in 2011, the United Nations Guiding Principles on Business and Human Rights[179] apply to armed conflict and military occupation, and are principally drawn from the Hague Regulations of 1907[180] and the Fourth Geneva Convention of 1949.[181]

In addition to ensuring the protection of the territory's population, these laws aim to preserve the status quo, prohibiting an occupier from amending the territory's laws, altering its demographics, or using its natural resources except when strictly necessary for legitimate security needs. This also means that permanently taking resources such as land or reshaping the territory's economy runs afoul of international law.

Article 55 of the 1907 Hague Regulations reads: *The occupying State shall be regarded only as administrator and usufructuary of public buildings, real estate, forests, and agricultural estates belonging to the hostile State, and situated in the occupied country. It must safeguard the capital of these properties, and administer them in accordance with the rules of usufruct.*[182]

Indicating Armenia's attitude towards the United Nations Guiding Principles on Business and Human Rights and Hague Regulations and Geneva Convention, the semi-official *Artsakhtert.com* news site stated on April 6th, 2012, that Zangilan and Jabrayil districts along the Aras River held particular importance to Yerevan as they possessed the potential, climate, water and other resources to represent "Armenia's second Ararat plain". According to the Tufenkian Foundation, another United States-based cash funnel: "the liberated territories of Artsakh possess abundant, fertile land, ideal for cultivation of fruits and grains."

Baku has released statistics illustrating that 70% of Azerbaijan's summer pastures are in Nagorno-Karabakh.[183] Before the collapse of the Soviet Union, these territories were known for grape and wheat production especially,[184] including more than a sixth of grain production in Azerbaijan.

The bounty provided by Nagorno-Karabakh had not gone unclaimed. A quarter of a century ago, vast tracts of the territory were simply abandoned, left behind by Azerbaijani farmers.

Whole swathes of farmlands in Zangilan, Gubadly and Jabrayil, along with

occupied parts of the Fuzuli and Agdam districts, were appropriated not just by new settlers, but huge areas would eventually be incorporated under production companies owned by Kocharyan and Sargsyan. The administration in Stepanakert has invested in water and hydropower projects in order to develop its agricultural sector. Armenia has also helped, in July 2012 for example, supplying 85 combine harvesters.

Perhaps ironically, considering the role of Armenian arms dealers and the space afforded to the illegal arms industry by Nagorno-Karabakh's status on the fringes of international law, in contemporary times ethnic-Armenian refugees from Syria have been encouraged to settle in Nagorno-Karabakh.

While providing an arms route that has helped weaponise the Syria crisis, the Armenian General Benevolent Union and others have enthusiastically sought to transplant refugees from the conflict. Despite this being illegal under international law as this remains an occupied territory, in January 2014, the Union stated that: *In its first few months, the agricultural programme has served over two dozen families, among them experienced farmers... Now, many are resettling in Kovsakan, in Nagorno-Karabakh's south-west. Their adopted town sits on the fertile banks of the Voghj River, where the farmers have already sowed wheat and barley. While those crops grow, they're continuing to harvest something else: hope.*[185]

By 2017, it was reported that about 20,000 Syrian refugees had settled in Armenia and Nagorno-Karabakh since the Syrian civil war erupted in 2011. The Artsakh Fund aids settlers in Nagorno-Karabakh by offering homes and low-interest loans for leasing land and agricultural equipment. An October 2017 report published by *Eurasianet* states that: *Many of the settlers were farmers back in Syria and now live in houses newly built for them by the local government. Charity groups helped fund construction. Other newcomers have refurbished dwellings that were abandoned by their previous Azerbaijani owners.*[186]

Whipped up with nationalist fervour by the likes of the Hayastan All-Armenian Fund and Tufenkian Foundation, the Armenian diaspora had helpfully

provided improved road infrastructure for Nagorno-Karabakh. This supports illegal industries.

According to the World Bank, illegal logging is a term which applies to cuttings: outside a concession area, in excess of quota, in a protected area, without appropriate permits, without complying with bidding regulations, without submission of required management plans, in prohibited areas such as steep slopes, river banks, and water catchments.

The designation "illegal logging" is open to interpretation, but there is no official definition of this in Armenia or Nagorno-Karabakh. Across Nagorno-Karabakh, amid the economic funk that afflicts most of the territory's 170,000 residents, it is understood that households will collect wood for domestic use, heating and cooking for example. Household consumption is driven primarily by poverty.

The issue is far broader than poverty-driven use. It is a growing and wholesale decimation of protected areas, removal of trees from public forests, and over reporting of high volumes extracted from legitimate forest concessions in order to mask that part of this volume is from non-authorised areas.

For Nagorno-Karabakh and its political economic masters, timber is a high value product that is relatively easy to merge into legitimate market distribution channels. Official limits on legally permitted volumes of harvested timber provide an incentive for illegal logging.

Armenia has long since gave up the pretence of achieving sustainable timber supply chains. Now it is the turn of Nagorno-Karabakh to supply the nation with deforestation far beyond operational lease boundaries.

Swept across the border into Armenia along the new road, the timber finds its way to sawmills. A few days later, on our return to Yerevan, we sit outside the premises of the likes of Arax-A, BSF, Danaya and Veks, and watch as multiple trucks with now-familiar Nagorno-Karabakh number plates roll in, laden with timber from the territory. Observing the premises of one manufacturer, Woodland, appropriately enough situated adjacent to a psychiatric hospital in Nubarashen, we see several such deliveries in a single morning.

Over the next few weeks, from all these companies and others, veneer, mouldings, particle board, fibre board, plywood, blockboard and engineered wood products will go into domestic markets or be exported. It is the same with value-added wooden products like furniture, parquet, barrels and boxes, doors, window frames, statues and ornaments.

One morning while in the Armenian capital our guide takes us by the Edem Funeral Home, just off Khachik Dashtents Street and, helpfully, close to Yerevan's Toxmax cemetery. Edem advertises that its range of coffins are made from Artsakh wood. Taking such nationalist ardour to the grave seems a popular way to go. Although arguably it is a little supererogatory.

Armenia absorbs much of Nagorno-Karabakh's natural bounty. However there is a thriving export market for goods. Since Karabakh is unrecognised and has no official ties with any state except Armenia, Stepanakert trades via Armenia. Products are stamped "Made in Armenia".

When Armenia joined the Moscow-led Eurasian Economic Union in 2015 the doors of the trading bloc – encompassing Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia, and currently with former Armenian Prime Minister Tigran Sargsyan serving as chairman of the board – were effectively opened to Nagorno-Karabakhi products too. Nagorno-Karabakh exports mostly agricultural crops, much of its mineral wealth under Armenian ownership and therefore considered Armenian and traded as such officially.

Nagorno-Karabakh's vicarious membership of the Eurasian Economic Union opened new markets and possibilities. According to the European Council on Foreign Relations, Russian foreign direct investment increased in recent years. In 2014, Russian investments had grown to 58.6% of all foreign direct investment. It is largely Russian-Armenians that are the source of these funds and this covers a multitude of agricultural projects.

We sit at a Nagorno-Karabakh border post along Vardenis-Mardakert highway, sipping on our warm *chai*, and count.

In 30 minutes: eight private cars labour past us, two small vans branded by Base Metals (the territory's largest tax payer, more of Base Metals later), along with an additional eight battered cars containing soldiers in fatigues. Most Artsakh Defense Army troop movements seem to be done using 1980s Ladas.

We also count three minibuses with blacked out windows. When the first of these passes, our guide types into *Google Translate* on his phone 'Պոռնիկ ավտոբուս'. Having witnessed events in Stepanakert, I understand its meaning... Whore Bus. I also understand the fate of those inside.

But what we are really here to see are the trucks.

During that same half hour period, 19 trucks laden with agricultural products grind past us, heading into Armenia.

Another 24 ease across the border piled with timber, the territory's sawmills slicing up prime forest tree-trunks. Demand for industrial timber is increasing. And it shows.

Each of these represent a small addition to the agricultural, socio-economic and environmental rape of the territory. All these vehicles head into Armenia bearing the fruits of Nagorno-Karabakh's enthusiastic exploitation.

Figuratively. And metaphorically.

EIGHT

CHASING THE DRAGON

I will be the first passenger to fly from Yerevan to Stepanakert."[187] When Armenian President Serzh Sargsyan made his 2011 statement, referring to Stepanakert airport, it seemed at the time so out of synch with prevailing reality that most people thought the Lilliputian leader was simply being provocative.

Originally known as Khojaly Airport, the facility, destroyed in the war, was rebuilt in 2011 at a cost of $20 million[188] and the local administration calls it Stepanakert Airport. Although very small, the interior has all the lush colouring and lighting that makes you think, for a second, that you are in an offshoot of Dubai International Airport.

The Irish Times reported in 2015: *The blue-and-white bird-like structure of Nagorno-Karabakh's airport perches in the Caucasus Mountains like a shining, defiant emblem of national pride. The departures screen lists an international flight to Yerevan, the Armenian capital. Members of the airport's 120 staff stand by to pass luggage through the latest model X-ray machine.*[189]

In response to Sargsyan's picayune words, Baku reiterated its often repeated threat to respond to this prevarication with shelling and counter measures if the authorities try it. Under international law, and until some form of peace deal says otherwise, Nagorno-Karabakh is Azerbaijani.[190]

Therefore the territory's airspace remained under the purview of the State Civil Aviation Administration of the Republic of Azerbaijan.[191] No flight

permissions have been granted. Periodically, Bako Sahakyan's administration goes in for a bit of sabre-rattling in order to provoke the Azerbaijanis: In 2017 it announced the creation of a national airline, Artsakh Air, and claimed a fleet consisted of three Boeing 737-700.[192] Nothing came of the idea, but it succeeded in heightening tensions across the not-so-ceasefire line.

Not a single passenger has ever passed through Stepanakert airport. Not even the petite Sargsyan.

Yet flights do take off. The airport's flying school has proven to be great business, its lessons involving close range sorties that move off away from Azerbaijani guns. According to airport management you can get your pilot's licence for as little as $6,000, a snip in comparison to an average of $31,000 in the United States.[193]

What's more, the flying school provides excellent cover for other, more illicit, activities.

Some airport staff have the most unusual job in aviation. Their task is to brush over any tire tracks and scuffs over footprints. The more deserted the airport looks the better.

While the rest of the world sees airports investing billions to provide towering edifices to 21st century travel, Stepanakert airport does quite the opposite. An 'abandoned look' is more in keeping with what they are trying to project.

Each year the International Air Transport Association, IATA, publishes annual statistics that rank the planet's most successful airports. Hartsfield-Jackson Atlanta International remains the busiest in terms of passengers,[194] Dubai International has now surpassed Heathrow as the world's biggest in terms of international passengers.[195] Beijing Capital International Airport is on the up.

Worldwide, commercial airlines carried just over four billion passengers on scheduled flights in 2017, while during the same period commercial airlines carried just under 60 million metric tonnes of freight.[196]

IATA ranks hundreds of airports, tracing where people are travelling to and from, where cargo moves, and how the aviation industry shapes the world in which we live.

Not even mentioned on any list is Stepanakert airport. IATA does not even record it. Officially it handled no aircraft movements in 2017. Or before. Or since.

Yet in terms of revenue there is a fair chance that this officially unused airstrip vies with some of the bigger names on IATA's global rankings in terms of revenue of goods handled.

The media may report on a perennial race between the likes of Singapore, Hartsfield-Jackson, Tokyo, Dubai, and Heathrow to become the world's most important aviation hub. But it is 14 kilometres east of the town of Stepanakert where the real action is.

Stepanakert airport, formerly Khojaly airport, is not as far off the map as one may think. Indeed, the area has its share of tourists. The historic Askeran fortress[197] sits along the banks of the Qarqar River. It was built by Karabakh Khanate ruler Panah Ali Khan in the 18th century to guard the town of Shusha.

The site was restored in 2002, removing bits of heritage that did not adhere to an Armenian narrative, but overall resulting in an attractive setting that may, one day, attract the sort of tourist numbers it deserves.

Among those who do visit are the off-the-grid type of tourists who like the thrill of supporting the economy of an illegal breakaway region. On the day we visited the site, however, it was only us. Scrambling to the highest point of the fortress and to the top of its watchtower, it is possible to see another interesting sight: an international airport that exclusively serves organised crime.

For us, the visit to Askeran fortress was more of a cover. The short route from Stepanakert to Askeran had a few less-tourist-oriented sites that make it of interest. On the left, one of the main bases of the Artsakh Defense Army, a somewhat decaying series of administrative buildings and facilities.

On the right, Stepanakert airport. Which brings us neatly back to the strangest job in aviation.

The airfield is surrounded by a barbed wire fence and overgrown grass and bushes. As one travels along the potholed road that runs alongside the site, it does indeed bear all the hallmarks of being little used, apart from a perennially empty terminal building.

This overgrowth helps obscure the airport. And that suits everyone.

Afghan heroin is trafficked all over the world, its production and refining centres requiring a global network of routes designed to evade detection and deliver goods onto international markets.[198]

The world's major routes have developed as a result of geographic proximity, low-risk opportunities, logistics and pliability of political and law enforcement oversight of a particular country or territory. In order to survive, and indeed prosper, international crime groups have evolved increasingly intricate and well-developed routes, and become almost as responsive to any challenges presented as those who would seek to interrupt their activities.

Whatever the risks involved, however, the escalating price of heroin continues to increase the rewards for trafficking.

Continually rising retail prices in Western and Central Europe only boost profit margins, and this in turn offsets any losses incurred through unfortunate drug busts. The trend, therefore, has been diversification, to establish alternative safer routes.

A route linking Afghanistan to Iran, and encompassing refinement facilities, mostly in Pakistan, and then supply into Europe, had long represented the most profitable, shortest distance and most direct land route to consumer markets.

This route has been used to traffic opiates into the European Union since the 1970s.

The so-called Balkan route sees heroin shipped overland, by sea or by air. The United Nations Office on Drugs and Crime identifies three defined branches of the Balkan route. The southern branch runs through Greece, Albania and Italy, the central branch through Bulgaria, Macedonia, Serbia, Montenegro, Bosnia and Herzegovina, Croatia and Slovenia, and into Italy or Austria, essentially by land, and the northern branch, weaving from Bulgaria and Romania to Hungary, Austria, the Czech Republic, Poland or Germany.[199]

How Afghan heroin gets into lucrative Western markets in the first place is, in itself, a story.

From 2016 to 2017, the area under opium poppy cultivation in Afghanistan increased by 63%, to 328,000 hectares; the estimated total production of opium shot up by 87% to 9,000 metric tonnes.[200] That is the most in Afghan history.

Most of the expansion took place in Helmand province, along the hub of

Afghan opium production as well as a Taliban insurgency. With 144,000 hectares cultivated with poppy, that province alone surpasses production levels in all Myanmar, the world's second largest producer of opiates.[201] But cultivation in Afghanistan expanded further throughout the country, including in the north, such as in Balkh and Jawzjan.

Shifting some 9,000 metric tonnes presents few problems in the world of legitimate business.

But when the 'product' being shipped is decidedly illegal, there are significant logistical issues.

Traditionally land routes crossed Afghanistan's porous western border and traversed the vastness of Iran, relatively unmolested. Occasionally the mullahs in Tehran issued an edict that caused a crackdown – according to Amnesty International, 488 people were executed in Iran for 'drug-related offences' in 2011.[202]

Yet this is mostly a good public relations exercise. For a cash-strapped and sanctions-laden Iran, the trade offers a lucrative earner, despite being at odds with Tehran's piety.

In March 2012, the United States Department of Treasury labelled Revolutionary Guards General Gholamreza Baghbani a drug 'kingpin',[203] and it is well-established that it is the Revolutionary Guards lead this business in Iran.[204] According to Kabul's *Salaam Times*: *Iran's Revolutionary Guard Corps is working with the Taliban to set up drug trafficking networks, selling the drugs in European countries to finance the militant group, according to security officials. "Narcotics are the Taliban's greatest source of income," said Bashir Bizhan, a Kabul-based political analyst. "Drug trafficking is among the common objectives of Iran and the Taliban, since they have shared interests in profiting from Afghanistan's illicit drugs. Iran, in co-operation with the Taliban, wants to make the western provinces of Afghanistan insecure, in order to prepare the land for drug cultivation in those provinces."*[205]

Traversing the border from Armenia to Iran has always been relatively easy, including the busy Agarak-Norduz crossing and the Meghri border post.[206]

Armenia abolished visa requirements for Iranian citizens in 2016.[207]

Statements issued by Armenia's own National Security Service, and reports carried in Armenian media, highlight the issue of illegal activities.[208, 209] Multiple smuggling cases have included connections to senior political figures in Yerevan.[210]

Yet it is the case that only a fraction of the deadly cargoes that are shipped through Armenian territory are seized. Political cover is everything.

Yet it does not go unnoticed. Heroin is increasingly entwined in the socio-economic fabric of the country, and hence in its political arrangements and power relations. According to The Organised Crime and Corruption Reporting Project: 'Armenia is a transit point for drugs smuggled to Europe...'[211]

In its 2015 International Narcotics Control Strategy Report, the United States Department of State's Bureau of International Narcotics and Law Enforcement Affairs says that it has 'become a viable option for heroin trans-shipment routes'.[212]

The Central Intelligence Agency's field listing for drugs calls the country a "transit point for illicit drugs... (seizures) suggest that the region has become a viable option for heroin trans-shipment routes."[213]

The heat was, increasingly, on.

Washington's Institute for War & Peace Reporting states: *Drug abuse in Armenia, a link in the chain of countries that transits hard drugs from Afghanistan to Europe and Russia, has soared this year and threatens to fuel crime and disease.*[214]

Armenia's usefulness to organisations like the Revolutionary Guard, and indeed Afghan producers and foreign mafias, however, only remained while the nation provided a reliable route. As more evidence pointed to the nation serving as a hub, international authorities moved in.

United States and European Union assistance saw Armenia outwardly develop and implement an integrated border management regime, improving its ability to detect illegal narcotics shipments. Indeed, that same Department of State report boasts that 'United States training and donated equipment contributed to an

historic 927 kilogramme heroin seizure by Armenian customs officials on the Iranian-Armenian border in January 2014.'[215]

Since illicit heroin production takes place a long way from the main consumer markets, there is a long supply chain, involving many different groups. Considerable effort is put into interrupting this supply by law and order, so modes of transport and the routes taken may vary accordingly.

Increasing oversight in Armenia was making the nation's place within this lucrative business somewhat difficult to maintain. The aforementioned one tonne of heroin is indicative of increasing efforts by international law enforcement to close what was a widening Armenian loophole.

As Armenia became a troubled option, so attention turned to Nagorno-Karabakh. As we ourselves witnessed at Khodaafarin Bridge, this option would prove successful and continues to operate under the radar

Yet they were not the first to use this grey area on the fringes of Europe to an advantage. The link between Turkmenistan and an off-the-grid Nagorno-Karabakh was already well-established.

Through Nagorno-Karabakh, the traffickers slipped into Armenia, and onwards through to Bulgaria and Romania, to Hungary, Austria, the Czech Republic, Poland or Germany, and the drugs ending up on the streets of Britain, France and Scandinavia. The so-called 'northern branch' of the traditional Balkan route spreads its deadly blizzard of white powder, heroin. Billions of dollars of this deadly product from Afghanistan, laying waste to those unfortunate enough to come under its spell.[216]

All that does not worry Kamchybek Kolbayev[217] too greatly. He knows he is under surveillance. But that does not worry him too much either.

He goes about his day in his home country, Kyrgyzstan, living the life of the successful businessman he undoubtedly is. If you did not know, you could easily be taken in by his claim that he is in the export trade.

In a manner of speaking, he is. His yacht has been spotted in Monte Carlo, and at other hot spots around Europe when the Formula One circus is in town.

He enjoys the convenience of a private jet, darting quietly and unseen from

Bishkek to Yerevan, and other outposts of his sprawling empire. Living in a plush apartment he purchased for her in Qatar, his mistress is an ex-fashion model who has legs to prove it.

With his greying hair, and a fat, almost boyishly chubby face, the impish Kyrgyz drug baron and the statuesque former Miss Odessa make an odd couple when they step out at the Qatar Opera House. He likes to turn heads.

Kolbayev is not one for monogamy, with his wife, or his mistress. On his business travels, he has a predilection for whores, enjoying seeing them using his 'product'.

At home, however, Kolbayev likes to remain quiet. Each morning he heads out from his family home in Highland, just outside of Bishkek. Driving a nice Mercedes-Benz G-Class, he heads to Bublik, his favourite coffee shop, for a skinny latte. Only if you knew what to look for would you be aware of a dark Mercedes G-Class which trails behind, its blacked-out windows keeping nosey-parkers at bay.

Inside is Kolbayev's ubiquitous armed security, responsible for watching over him. They look the part: big, ugly, imposing and wearing Ray-Bans so they remind themselves of Trump's Secret Service detail. Yet this trio, and the entire security operation surrounding the 44-year-old, is mostly wasteful and for show.

He has already been compromised. From the United States Embassy on nearby Prospekt Mira, Gina Haspel's people are already listening in the best they can.

Kolbayev is free to go about his business, speaking to his partners abroad. Kolbayev is not stupid, however. Each day he uses a disposable telephone and a fresh, unregistered chip, purchased from one of the small shops that exist along almost every street in the centre of the city. In doing so he stays one step ahead, as the Central Intelligence Agency scramble to get a handle on him.

Most likely he will chat with Ruben Tatulyan, his much trusted Armenian friend and ally, a fellow made-man, and the partner with most involvement in Nagorno-Karabakh.

On any particular morning, Kolbayev may have a business meeting or, if he feels the urge, head over to the Hyatt Regency Bishkek on Usup Abdrahmanov Street, where he has stashed away a tasty 17-year-old blonde plaything who may

amuse him for a few hours. Eventually, he will return home and make some more calls, taking the pulse of his successful export ventures.

According to the Central Intelligence Agency's *World Factbook*: *Turkmenistan is a "transit country for Afghan narcotics bound for Russian and Western European markets" and a "transit point for heroin precursor chemicals bound for Afghanistan."*[218]

The historical Turkmenistan city of Mary lies on a major drug smuggling route between Afghanistan and Europe. As well as being an important transit country Turkmenistan may produce significant quantities of opium. It is hard to tell, however, as the Government of Turkmenistan does not itself report any illicit cultivation of opium poppy or production facilities.

What is known, however, is that thanks to its excellent location the nation has proven, despite the intractable efforts of the international community, to be wide open for use by traffickers.

Afghanistan's border with Turkmenistan is lengthy – 804 kilometres[219] – and mostly desert. Turkmen drug routes are facilitated by the presence of approximately one million ethnic Turkmens in Hirat, Badghis and Faryab provinces.[220] Turkmenistan also shares a 992 kilometre border with Iran,[221] where an equal number of Turkmens reside,[222] mainly in the Mazanderan and Khorassan provinces, close to the border. For good measure Turkmenistan has 1,768 kilometres of Caspian Sea shoreline.[223]

It is here that Kolbayev's links into the Russian and Armenian mafias begin to become apparent.

Kolbayev's influence comes through his position at the centre of the so-called Brothers' Circle. The United States Government's designation of a Russian-Eurasian organised crime 'group' that it calls the Brothers' Circle[224] has always been somewhat controversial. The Brothers' Circle (formerly known as Family of Eleven and The Twenty) is the name given to an international criminal network that the Department of Treasury suggests operates in the Middle East, Africa, Latin America and the United States.[225]

As the Central Intelligence Agency and Federal Bureau of Investigation

portray it, the group bears all the hallmarks of SPECTRE (SPecial Executive for Counterintelligence, Terrorism, Revenge and Extortion), a fictional organisation featured in James Bond movies. In practice, the Brothers' Circle is more of a loose group of overlapping affiliations.

Russia's Federal Security Service has never seen any evidence of its existence as a specific grouping, but accepts its American cousin's generic label in order to accommodate a host of anti-crime initiatives. The Russians refer to it *Bratski Krug*.

Yet the Brothers' Circle is a relatively clearly-defined, hierarchical structure like a Japanese *Yakuza* or even La Cosa Nostra 'family', with an inter-connected network of criminal movers-and-shakers who synergise through common financial and criminal interests, from managing drug flows from Afghanistan to dividing up the revenues from protection rackets in major cities.

After all, going back to that mafia 'family', these are not made up just of kin: 'family' denotes the nature of the bonds and relationships meant to be at work. Likewise, these Brothers are often rivals, or busy doing their own thing, but they are connected through the pervasive connectivities that characterise the Russian-Eurasian underworld.

By the time that Kolbayev got involved in the scheme that would link Turkmenistan to Nagorno-Karabakh, he was already in the crosshairs of the United States and a fully-fledged *vor v zakone* ('thief in law' or 'thief within the code', a 'crowned' authority figure within the group).

He was an associate of the notorious – and murdered – Vyacheslav 'Yaponchik' Ivankov,[226] and in the Nagorno-Karabakh drug connection would indirectly fall under the umbrella of one Aslan Ûsoyan, the infamous 'Ded Khasan' – 'Grandfather Hassan'.[227] Until his death in January 2013, Ded Khasan was one of the last of the true godfathers of Russian-Eurasian organised crime.

At a time when most organised crime was becoming networked, constellations of individuals and groups with no clear hierarchy or leaders (though nonetheless formidable for that), Ûsoyan was old school.

Another branch of the Balkan route goes through Iran, and possibly Central

Asian countries such as Turkmenistan, by land or over the Caspian Sea, to the countries of the Caucasus (Armenia, Azerbaijan and Georgia) and then into Turkey by land or through the Black Sea. From Turkey the heroin may be transported west into the European Union along one of the traditional branches of the Balkan route, or it may be shipped north on one of the ferries plying the Black Sea between Turkey and Ukraine or Moldova, says The European Monitoring Centre for Drugs and Drug Addiction (EMCDDA),[228] an agency of the European Union located in Lisbon.

EMCDDA's 'Opioid trafficking routes from Asia to Europe' study makes illuminating reading for anyone living in the Caucasus region: *Opiates produced in the Golden Crescent are trafficked from Iran to Turkey via Armenia... the Caucasus are now being used to smuggle large amounts of opiates from Iran to Turkey via Georgia. This could be yet another branch of the Balkan route that is being used in order to avoid the heavily policed Iranian-Turkish border. However, it is possible that a proportion of the opiates trafficked through the Caucasus is intended to be smuggled on either to the lucrative western European and Scandinavian markets, or to the large Russian market. From the Caucasus there are numerous possible links to these consumer markets by land or across the Black Sea.*[229]

Actor Tom Cruise's exploits when playing Trans World Airlines pilot-turned-drug runner Barry Seal in the movie *American Made* have popularised the concept, and even glamour, of bush pilots skimming seas, forest canopies and mountains in order to deliver their illicit cargoes. Seal, of course, was working for the Medellín Cartel and Pablo Escobar and provided a key link in the cocaine business between South America and United States markets.

American Made was based on real events. And the use of aircraft to ship narcotics is far from restricted to the Americas. The same EMCDDA report discusses analysis of 120 cases involving Europe where heroin was trafficked by air. A United States Department of Justice-funded study titled Growing Importance of Ukraine as a Transit Country for Heroin Trafficking adds that: *Some heroin is also smuggled by air from Afghanistan on private aircraft or*

commercial airlines owned by one of Afghanistan's warring factions.[230]

The United Nations International Narcotics Control Board report 2005 sites that: *Afghan opiates are smuggled not only by land, but also on sea and by air...*

The present era of globalisation has led to an explosion of drug trafficking. More than 420 million shipping containers traverse the seas every year, transporting 90% of the world's cargo.[231] Most carry legitimate goods, but authorities cannot inspect them all, and some are used to smuggle drugs – or just as importantly, the chemicals used to make meth and cheaply process cocoa leaves and opium poppies into cocaine and heroin.

Airplanes, submarines, speedboats, trucks, tunnels – taken as a whole, the systems used to move illegal drugs around the world comprise a logistics network likely bigger than Amazon, FedEx and UPS combined.

No wonder *HBO's* Vice News Tonight dubbed this: *today's golden age of drug trafficking...*[232]

As well as the personal enrichment of the individuals who allow the air space over Armenia and Nagorno-Karabakh to be utilised for the business, the drug industry also gives financial oxygen to the regime in Stepanakert. As *Radio Free Europe/Radio Liberty* observed in 'South Caucasus: Region Growing As Hub For International Drug Trafficking': *The money that is generated by drug smuggling is being used to purchase weapons and ammunition. It also serves to finance these separatist regimes.*[233]

Which brings us back to a team of staff at the airport and the look of disuse that they are charged with orchestrating.

It is a warm autumn evening as we climb a crest that overlooks the supposedly almost abandoned Stepanakert airport.

Technically it is a military area. Yet by early evening, the army's thousands of conscripts are sent home where possible so that the Artsakh Defense Army does not have the expense of feeding them. This leaves the slopes around the airport empty, apart from the ubiquitous Nagorno-Karabakh cows.

The area is deserted and things have quietened considerably. As we scoped

the area earlier in the afternoon there was the unmistakable sonic boom from shelling. The local news would say nothing of any fresh exchanges between Azerbaijani and Armenian forces, although we are led to believe that there were non-lethal exchanges frequently as a means of muscle flexing.

Hardly two months ago Armenian shelling had claimed three Azerbaijani troops in fierce clashes. Both sides saw occasional losses through shells and sniper fire.

On this particular evening all was now quiet, as we settled in on a ridge and waited. Not long passed before we could hear the unmistakable sound of a small aircraft engine approaching. The $20 million Stepanakert airport was about to see an arrival.

Serzh Sargsyan was not aboard.

NINE

CHASING THE DRAGON II

May 19th, 2018. Later in the day, the world is set to hone in on the wedding of Prince Harry and Meghan Markle at St George's Chapel at Windsor Castle.

Instead of wearing a full morning coat, waistcoat, tie, and striped trousers, as demanded by British tradition, and not invited, I am 164 miles away in Leeds, a post-industrial city in northern England. My attire is somewhat less aesthetic, thicker, all covering, and topped off by heavy boots and thick latex gloves. The latter are in case of used needles. Of which there are many.

I have eschewed the recommended safety goggles, considering that the residents of the Abaddon I am about to witness may not relate to someone who looks so alien from their environment.

We descended cautiously into a pitch black netherworld beneath a road bridge in Holbeck, dubbed Britain's only "legal" red light district.[234] From needles for weapons to prostitutes high on heroin, the "legal" red light area is plagued with troubles as authorities turn a blind eye.

What the scheme – a 'managed area' designed to hold many social ills at bay from the rest of the city – has done is to create a *laissez-faire* Mecca for all that troubles society. We see the result as we picked our way through garbage and sprawled limbs under the bridge, passing huddled men whose gaunt, wary faces were briefly illuminated by the flare of matches and drug pipes.

Drug addiction in Britain was once mostly limited to men, but has exploded

into a nationwide scourge that affects millions,[235] including a growing number of women and youngsters who should be at school. Here in Holbeck, the protective company of fellow lost souls creates the impression that this is normal.

Tragically, perhaps it is.

In the past five years deaths in Britain involving heroin have rocketed, one of the highest rates of drug-related deaths in Europe.[236] It is getting worse. In Belfast, local councillor Paul McCusker told the *BBC* that buying heroin was "as easy as getting a packet of cigarettes".[237]

The European Monitoring Centre for Drugs and Drug Addiction annual study of drug data across the continent, 'The European Drug Report 2017',[238] reveals that drug-related deaths in Europe have risen for the third year in a row, with almost one in three drug overdoses occurring in Britain (31% of all recorded in Europe over 2017), with Germany a distant second (15%). The report also shows that Britain has the highest amount of heroin addicts in Europe.

This blizzard of opiates has moved through many routes, but one of the most consistent has been Armenia. There have been a few spectacular successes by the authorities. In January 2014 just short of a tonne of heroin, 927 kilogrammes, was discovered on a truck at the Meghri customs point between Armenia and Iran.[239] In 2017, the Armenian customs service confiscated more than 100 kilogrammes of heroin from a single Turkish-owned truck that passed into Armenia from Iran.[240]

Most heroin traversing the Armenian border is hidden in vehicles crossing through ports of entry.[241]

Smaller amounts are carried in on foot by men dubbed "mules"[242] – in 2018 for example three Iranians and an Italian were arrested on the Armenia-Iran border with 19 kilos – with packages taped to their legs, thighs, buttocks and other parts of their bodies.[243] The still lightly monitored border allows plenty of opportunity for delivery via mules.

Some heroin is ferried in by small planes, while the United States Department of State's 2016 International Narcotics Control Strategy Report notes a series of cocaine seizures at Zvartnots International Airport.[244] The same document adds

that Armenia's Main Department of Combating Organised Crime reports drug-related crimes were significantly up, with volumes of cannabis and cocaine more than doubling from 2014.[245]

The Department of State made note that drugs are smuggled in trucks driven across the Iranian border crossing at Meghri.

The effect of this pattern of events is clear. According to the World Drug Report, in 2014 the number of people suffering from drug use disorders increased disproportionally for the first time in six years,[246] while the number of people who used at least one drug stayed at 5% of the adult population.[247]

The report found nearly 250 million people between the ages of 15 and 64 used at least one drug. The number of people classified as suffering from drug use disorders exceeded 29 million people. Additionally, around 12 million people inject drugs, with 14% of these living with HIV.[248] The overall impact of drug use in terms of health consequences continues to be devastating.

From the sun-warmed slopes of a mountain outside of the town of Stepanakert in the Caucasus, this is a story that winds across the world towards Leeds and an opiates crisis that is beginning to take a grip on Europe.

Until his death, assassinated by a sniper,[249] Russian mobster and thief in law Aslan Ûsoyan, lived the existence as that of a modern day monarch. Kamchybek Kolbayev enjoys his life in Bishkek, a mafia princeling,[250] entertaining himself with a decidedly young plaything in a plush suite at the Hyatt. Currently building a smart home in Stepanakert, well beyond the long arm of the law, is Ruben Tatulyan. He is known in Sochi as a 'well-connected' businessman and philanthropist, as well as his status in Russia's underworld.[251] In one unfortunate brush with the law, Tatulyan was detained in Czech Republic despite holding an Armenian diplomatic passport.

Also known as 'Robson', Tatulyan's close ties into Yerevan are well established, including the marriage of his daughter Galina to an Armenian noble and the expansive nuptials. The event included hundreds of guests flown in from Russia at Tatulyan's expense and attended by a Who's Who of Armenian politics and society.

Tatulyan and his peers live their golden lives. And then there is Paul House.

On Holbeck Lane, seven addicts huddle in a small room, in an abandoned furniture warehouse. Vandals have long since broken the windows and a cruel northern wind whistles through the building. Not that the septet even notice.

Gaunt, thin and bedraggled, they look every inch the sort of heroin addicts as portrayed in Hollywood movies. For many users, heroin is more about avoiding or numbing pain than about feeling good.

Compared to other drugs, such as alcohol, marijuana, cocaine and meth, heroin is taken less for recreational and social reasons and more for self-medication. After a hit of heroin, dopamine floods the brain, instantly giving users a feeling of intense pleasure.

After the rush of euphoria, before the inevitable downer, there is time to snatch a warm, contented sleep, as if in a cocoon from the world. The seven, a group bonded by their addiction, their stories of having lost everything, and their sharing of needles, are immersed in a high. At this particular dopamine-induced moment, they may even thank Kolbayev for his services.

Ending up in jail three times did not stop Paul House from taking drugs.

He never intended on quitting the habit until he was told that he was infected with HIV. By then, of course, it was too late to salvage his life.

It was not supposed to be like that. The tall, blonde 47-year-old had left school at 16, not because he was lacking in brains, but because he had plenty. He quit education before high school in order to work, gained a trade, and was earning good money and bought his own home before his peers had even completed their studies.

A spell working on North Sea oil rigs would set House up financially – and provide a tragic link to his ultimate demise.

Before his death in 2017, House talked about his journey with drugs, which led to AIDS.

“It was around 2006. I was back in England, married with one kid. I was secure, happy, and back on the North Sea rigs. Then came the financial crash, and the work dried up. I was bored. One day a friend of mine offered me some (heroin) and, to be honest, I just loved it.”

The delights of a “warm” and “euphoric” high, followed by a sudden

knockout effect, enchanted him. The beginnings of his demise were assured.

Flush with cash and seeking a thrill, House not only gained a taste for the drug – he is not sure when it went from a social experience to an addiction, but thinks within weeks – but became a small-time dealer.

Not a good one as it turned out. He was arrested a handful of times, winning himself several judicial slaps on the wrist. Finally, when he was caught with 90 grams of heroin, he served the first of three short spells in jail. While there, he continued to trade. "I managed to smuggle drugs in jail, I couldn't stop the habit, and didn't want to. I was even dealing in there, as it was full of addicts like me."

Perhaps House did not realise, however, but his slide into purgatory was well underway. Through his £150-a-day habit he had lost his wife and child, his home in the northern English city of Leeds, his smart Audi car and emptied his accounts at Barclays Bank, and moved in with his parents.

"When I went back home and ran out of heroin, I used to steal my mother's diabetic pills, melt them, and use them as a substitute. That's how desperate I was," he explains. "My mother used to see the syringes, but I would find excuses to lie to her."

Yet House would have greater worries than his mother.

"You know. You do. But you do not care," he admits of the dangers of injecting drugs, of shared needles, and of the ever-present threat of disease and infections. Sometime, he thinks, in the spring of 2011, he was spending most of his time in the Holbeck area of Leeds, known for its red light district and an almost *laissez-faire* approach to drug taking.

Hanging out with fellow addicts, it was here that desperation, or even "not caring less", saw him now sharing needles. Almost inevitably the worst happened.

In the autumn sunshine, as we sat on a rise above Stepanakert Airport and watched activities on the runway, in between gulps of adrenaline, my mind switched between House – my friend – and perhaps the best summary I have encountered of the precarious state of affairs that the international community faces in its failing drug war, circa-2018.

In January, Alfred W McCoy penned a piece for *The Guardian* which drew together the facts and the figures, the deaths and the losses, a few hundred words that give a shocking perspective on Afghanistan.[252]

Here we were, overlooking Stepanakert Airport, days after we had spent an early morning at Khodaafarin Bridge, observing just two of the points that were providing the undoing of the United States' monumental effort.

After fighting the longest war in its history, the United States stands at the brink of defeat in Afghanistan. How could this be possible? How could the world's sole superpower have battled continuously for more than 16 years – deploying more than 100,000 troops at the conflict's peak, sacrificing the lives of nearly 2,300 soldiers, spending more than $1 trillion (£740 billion) on its military operations, lavishing a record $100 billion more on "nation-building", helping fund and train an army of 350,000 Afghan allies – and still not be able to pacify one of the world's most impoverished nations?

McCoy's figures boggle the mind, as does his analysis:

In the American failure lies a paradox: Washington's massive military juggernaut has been stopped in its steel tracks by a small pink flower – the opium poppy. Throughout its three decades in Afghanistan, Washington's military operations have succeeded only when they fit reasonably comfortably into central Asia's illicit traffic in opium – and suffered when they failed to complement it.[253]

Chasing the dragon is a slang phrase of Cantonese origin referring to inhaling the vapour from a heated drug solution, often heroin. Its overtly romantic overtones make light of the squalid nature of opiate use. Instead of Sherlock Holmes puffing opium as he measured the evidence of an investigation, in reality it is closer to House.

Sharing a disease-tipped needle, a group of mottled addicts huddle together, amidst the ruins of a cold, abandoned factory in a post-industrial northern English city. It is almost a shared experience as they slide into oblivion.

One of the British links between House and the Taliban's opium fields was provided by Fikri Yarasir,[254] a linchpin for the shipment and retail of heroin in Britain.

The Taliban have long profited from the opium trade by taxing and providing security for producers and smugglers.[255] But increasingly, the insurgents are directly getting into every stage of the drug business themselves, rivalling some of the major cartels in the region – and in some places becoming indistinguishable from them. The opium economy in Afghanistan grew to about $3 billion in 2016,[256] a white blizzard that needs to find its way onto lucrative Western European markets. Like in Leeds.

Dubbed 'Super Mario' for his likeness to Nintendo's iconic plumber,[257] the Turkish businessman would be the local importer for Afghan heroin shipments that made their way through Iran, Nagorno-Karabakh-Armenia and then usually smuggled by road through Europe's open borders, and then by sea to Britain.

From a repackaging facility in Rhyl, in Wales, where the heroin would be hidden in hollowed out furniture.[258] Yarasir would become one of northern England's biggest suppliers, operating of an industrial unit in Salford, on the outskirts of Manchester. From here he would supply England's post-industrial heartlands, including House's stomping ground in Leeds.

'Super Mario' would eventually be convicted and jailed for 25 years.[259] On his arrest his drug factory held 210 kilos of heroin with a street value of £63 million, the largest haul in quantity and value of the drug seized in Greater Manchester Police history.

Given the Turk's omnipresence in the supply of heroin in the region, it would likely be his powder that was behind House's steady descent into purgatory. House sunk to become the very stereotype of an emaciated, exhausted addict, a petty thief who had resorted to crime in order to obtain drugs. And, in the final analysis, he was also a coward. He committed suicide rather than face the disease he had himself injected into his body.

House has been dead for more than one year, buried, without mourners, in a simple suburban grave. Yet the saga that claimed him continues.

In 2017 drug-related deaths hit a record high in England and Wales, with 3,744 recorded,[260] one of them House, mainly from heroin and other opioids. Today, Britain has Europe's highest proportion of heroin addicts.[261]

The scale of the crisis is small compared with the United States – where more than 100 Americans die each day[262] from a widening opioid epidemic – but continues to grow.

Despite the efforts of European law enforcement, also growing is the supply. A tide of drugs is washing over the continent. Kolbayev will not know, nor care, about people like House. Yet everything in the luxury life of Tatulyan and Kolbayev is paid for through the agony of people like him. From his place in, what one would assume, is purgatory, Ûsoyan may be learning that fact.

The price of their home, flash cars, smart watches, expensive mistresses and Armani suits is actually paid for by House. With his life. And the nations that they have flooded with opiates.

The bare figures are offered up by Home Office Research documents, National Treatment Outcome Research Studies and other academic papers. A British addict's average daily consumption of heroin is 3.28 'wraps' at £10 each. The majority of heroin addicts are heavy drinkers and smokers.

Greater than 80% are unemployed. Some 45% have a spouse or partner who is also addicted and 47% are responsible for children under 18. Each drug-related death costs £1,144,000 in social, economic, health and criminal justice costs.[263]

Heroin use is a 'predictive' of involvement in acquisitive crime; addicts are ten times more likely to be involved in crime than other sectors of society. Take one kilogramme of heroin supplied by a dealer each day. This would enable the dealer to make 10,000 'wraps' of £10 bags. Average usage of heroin by a user is 3.28 bags per day, meaning that this one dealer could provide the requirements of 3,048 addicts daily.[264]

Around 80% of heroin addicts are unemployed from that group, equating to 2,400 jobless heroin addicts. Their average daily consumption and associated drinking and smoking leads to a shortfall in income of £1,800 per month per unemployed addict. This would mean 2,400 users with a monthly shortfall in income of £1,800 each. That equates to £4.3 million, just among this limited snapshot of people.[265]

If we assume a 50% realisation on stolen assets to fund their addiction, that is £8.6 million per month. In summary, every problematic drug user costs Britain £44,231 in crime, social, health and economic costs each month.[266]

Multiply this target group across Britain, factor in addicts across Europe and throw in those afflicted by the explosion of opiate abuse in North America... and the plush lives of Tatulyan, Kolbayev and Ûsoyan become very expensive indeed.

The situation is perhaps even more worrisome in Germany. In March 2018, one of Germany's leading national newspapers suggested the country was on the brink of an opioid crisis. "Germany risks suffering an opioid epidemic similar to that seen in the United States."[267]

Christoph Stein, director of the anaesthesiology department at Charité hospital in Berlin told *Die Welt* of the scope of the crisis, while Peter Raiser, deputy CEO of the German Centre for Addiction, informed the media that between 200,000 and 300,000 Germans are estimated to be dependent on opioids.[268]

Germany's case is somewhat different to that of Britain. Britain is merely supplied via Armenian gangs, using routes that stretch across Nagorno-Karabakh and Armenia, the end product delivered and distributed by third party criminal gangs. Instead, Germany is a well-established theatre of operations for Armenia's criminal enterprises.

In an article titled "Germany: Armenian mafia controls the streets of Erfurt", *Vestnik Kavkaza* reports that: *According to the public television channel of the Free State of Thuringia, 'MDR THÜRINGEN', the Armenian mafia and the criminal rocker gang 'Hells Angels', well-known in Germany, have a joint business in the 'red light district' in the German state of Thuringia. According to the channel, the two groups are involved in criminal activities in the fields of drug trafficking and prostitution. And the contacts between the two groups already have a long history.*[269]

In November 2018, *Der Spiegel* reported on a three-year Federal Criminal Police Office, six state, criminal investigation into the Armenian mafia.[270] This targeted 42 mafia members involved in financial schemes and money laundering, resulting in 14 court cases.

One of the largest ever campaigns against organised crime in that country, which also encompassed investigators and resources from Bundesnachrichtendienst – Federal Intelligence Service – and Europol, a final Federal Criminal Police Office document concluded that an Armenian mafia possesses "considerable financial resources" and represents "a threat to the rule

of law".[271] Reports detailed a web of cross-border cooperation that ties Germany's Armenian mafia to the likes of Italy's Ndrangheta.[272]

An interesting aspect of *Der Spiegel's* coverage is that it reports the Federal Criminal Police Office and Bundesnachrichtendienst decided against cooperating in their work with Armenian Ambassador to Germany, Aschot Smbatjan, due to his ties to many of those being investigated.[273]

From our viewpoint over Stepanakert airport we have begun to hear a familiar buzz in the distance. The whirring engine of a small aircraft approaching. A Cessna 172 appears from along the valley.

The Cessna is the aircraft of choice for criminals the world over. As *Business Insider* noted in a May 2016 article titled "El Chapo' Guzmán had more airplanes than the biggest airline in Mexico"*: Before he was recaptured in January, Sinaloa cartel kingpin Joaquín "El Chapo" Guzmán ran the largest airborne operation in Mexico. Between 2006 and 2015, Mexican authorities seized 599 aircraft – 586 planes and 13 helicopters – that the cartel used to ship drugs throughout Mexico and Latin America, according to information from the Mexican defense ministry (Sedena) that was obtained by Mexican newspaper El Universal. The largest legitimate airline in the country, Aeroméxico, has 127 planes.*[274]

The Cessna hops knowingly over the steel cables that are threaded across mountains overlooking the airport. These are an anti-aircraft measure to prevent Azerbaijani fighters from making bombing runs, which seems not to have happened for a quarter century. For the significantly slower Cessna that arrives at Stepanakert airport, these anti-aircraft measures hold no fears.

The Cessna has made its way from the Turkmen coast, somewhere in the region of Chikishlyar and Esenguly. Skimming Iran's Caspian coast it crossed into Iranian territory prior to the border of Azerbaijan, near Astara, and rounded into Nagorno-Karabakh, navigating its way between valleys and mountain ranges.

The whole journey stretches across some 450 miles and takes around an hour and a half. With Iranian acquiescence bought and paid for, the logistics are simple as long as the pilots fly "right on the deck" in order to avoid Azerbaijani air control.

The 172's maximum take-off weight is 1,111 kilos.[275] Allowing for fuel, pilot, co-pilot and other equipment, this easily allows for 350-400 kilos of heroin. This has a street value of upwards of $30 to $40 million.

Landing at Stepanakert, we see the plane taxi to a position adjacent to the terminal building. A single white Ford Transit parks alongside and, within a minute or two, under the watchful eye of two armed men, the Cessna's precious cargo is transferred. The vehicle quickly exits the airport, heading away from Stepanakert and into Nagorno-Karabakh's almost endless mountains.

We see this repeated twice during our brief stay in the town.

Most law and order attention continues to be focused on traditional smuggling efforts and routes, by road and sea. Armenia's place in the heroin trail linking Afghanistan and Leeds, and indeed the rest of Western Europe, had begun to elicit much unwanted international attention.

So the criminals did what they always do. Innovate. A new air war is underway.

Into this new front in the drug war, national governments and transnational law and order organisations have thrown together a tiny air force of men and planes. Increased surveillance and improved communications between authorities in Turkmenistan and the nations of the Caucasus can only do so much when the target is a single plane, flying mostly below radar, in the isolated vastness of its operating environment. Officials openly acknowledge that, outside of an occasional hit, the smugglers are so far winning. The Nagorno-Karabakh connection is a step ahead in a business where innovation and invention mean success and vast profit.

Despite the cargo that passes through Stepanakert – which, if legal, would easily make it one of Europe's top 100 airports by value of goods handled – the airport continues to carry a deadbeat, weather-beaten look. This strategic gateway for heroin supply to Europe looks as it is supposed to.

A dusty relic of a 'frozen conflict'.

TEN

KOGHOPOWT AND T'ALAN

The people of the village of Heyvali, north of Stepanakert, got used to the headaches, the dizziness and vomiting. It became almost part of life. Then there was a strange surge in instances of goitre, an abnormal enlargement of the thyroid gland. Some people had nosebleeds.

Locally there was consternation over foetal malformations and what seemed an unusual surge in miscarriages. Several babies were born with defects. In this remote and natural region of Nagorno-Karabakh there was little history of such things. People lived almost as close to nature as it was possible to be. Their physical lifestyles, natural, balanced diets and avoidance of excess meant that they were hardy folk.

There is one case of a child being born blind and mute. There were other unexplained infant illnesses in the area. Stillborn numbers were on the rise.

Then the people from Heyvali began to hear similar stories from Yayici, Zeylik and other villages in the area.

More anecdotal evidence emerged. The region is very rural. Outside of the villages, many families lived a somewhat solitary, pastoral lifestyle. Among these widely distributed people there was a similar spike in illness.

Western scientists would call it a hotspot, where emissions from specific sources such as water or air pollution may expose local populations to elevated health risks.

In Heyvali, they are a simple people, quietly raising animals and growing

crops. But when the instances of sickness grew, so did their disquiet. And in the communities around them.

Then came the unexplained deaths. Heart attacks. Sudden collapses. Too many to be a coincidence.

Public health services in Nagorno-Karabakh are scarce and, what there are, remain very basic. Especially in remote areas. There was no outcry from non-governmental organisations, no ministry support, and no investigation into the strange anomalies going on in the area.

Since 2002 the territory's biggest mining operation, Liechtenstein-registered Base Metals, part of the Armenian Vallex Group, has held mining rights for generous gold and copper deposits in Gizil Bulag, near Heyvali.[276]

The people of Heyvali may be rural and poor, but they are not stupid. They looked at the local mine and saw its liberal use of cyanide.[277]

Cyanide is a well-known, highly toxic chemical. A tiny amount can kill a person. But few people know that it is used in huge quantities in modern gold mining. Almost all gold producers depend on it to separate gold from other ores.[278]

The surface dumping of cyanide treated tailings (tailings are the cyanide-treated ore wastes, from which gold has been removed), have resulted in the release of cyanide-rich waste into the surrounding water table. The nearby Sarsang Reservoir has seen pollutant levels grow.

In December 2017, writer Joseph Dagdigian visited several mining-polluted sites in Nagorno-Karabakh. His article, *Oil, Gas and Mining in Armenia*, published by United States-based newspaper *Asbarez*, stated: *On a number of occasions I have visited the Sarsang Reservoir in northern Artsakh. The first time, perhaps 15-20 years ago, Sarsang's water was clear. The next time I visited Sarsang, the water was green, undoubtedly due to a new Base Metals factory on Sarsang's shore. Base Metals, the largest taxpayer in Artsakh, belongs to the Vallex Corporation.*[279]

Those who fished Sarsang had begun to report almost regular mass fish deaths. Bird life was suddenly reduced.

In their book *Fighting Environmental Crime in Europe and Beyond*, editors Ragnhild Sollund, Christoph H. Stefes and Anna Rita Germani detail that: *Toxic material therefore regularly leaks into the ground, poisoning the groundwater, rivers and lakes. Used for irrigation, poisonous water enters the food chain... The amount of toxins released into the air, ground and water is very difficult to assess because the mining companies do not gather and release data... During a research project that the Acopian Center for the Environment, the Blacksmith Institute and the RA government conducted in 2013, soil samples from 25 mining sites across five regions were gathered. The samples revealed heavy metal concentrations that were well above internationally accepted limits.*[280]

Environmental science also notes that environmental degradation does not sit within established national borders. Tailings pollute rivers and ecosystems that are transnational. Therefore the environmentally unsafe mining practices in Armenia, and those pursued in Nagorno-Karabakh, also negatively affect Georgia and Azerbaijan, and ultimately could spread even beyond. Transboundary pollution adds to an already unstable geopolitical situation in the South Caucasus. What looks, at the outset, to be localised mining-related environmental genocide actually has ramifications to peace and security across the South Caucasus.

The beginnings of this environmental genocide can be witnessed vividly in north of Stepanakert.

Among the people's farm animals there was a similar scene. Cows, sheep, goats and pigs dying. Birth deformities. Illnesses.

None of this has mattered to Base Metals or Vallex Group. Or indeed the company's shadowy owners. While the mining process has extracted Nagorno-Karabakh's riches, and left behind a trail of health issues, registration in Liechtenstein has helped shield the company's true owners from exposure.

This is not a unique situation across Nagorno-Karabakh or Armenia.

France24 notes that: *Open-pit mining has left scars on the tiny country's once pristine landscape. Corruption allowed developers to flaunt environmental regulations and locals' rights.*[281]

In a separate report, as late as July 2018, *France24* noted that: *A mountain in*

the south-east of Armenia has been the site of a long-standing protest between local activists and a subsidiary of international mining company Lydian International. For over three weeks now, environmentalists and locals have been blocking the roads to the Amulsar mountain site in an attempt to put a halt to the construction of a mine that they say would pollute 30% of the country's water resources. Our observer told us that locals and activists are fighting to make sure that the mine is stopped, and their waters stay clean.[282]

The Armenian Environmental Front published figures showing that Lydian International – which had current Armenian President Armen Sarkissian on its board – would use 2,000 tonnes of sodium cyanide and 1,000 tonnes of hydrochloric acid per year at the site, which is one kilometre away from the Arpa River, which feeds the Vayots Dzor region.[283] Across a decade this would equate to 20,000 tonnes of cyanide, equivalent to 67 billion lethal doses to humans.

The European Union Action to Fight Environmental Crime's report Environmental crime in Armenia noted: *The European Union can use their influence to reinforce current international laws that discourage environmental crime in Armenia... Non-governmental organisations presented a case to the United Nations Economic Commission for Europe claiming that Armenia was not compliant with the Aarhus Convention. Upon review, the United Nations Economic Commission for Europe agreed and has since pressured Armenia.*[284]

Known better as the Aarhus Convention, the United Nations Economic Commission for Europe Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters.[285]

Yet with much of the mining industry either in the hands of the Karabakh Connection – Kocharyan, Sargsyan, their family members or associates – or licensed through suspect deals through the Ministries of Energy Infrastructures and Natural Resources in Yerevan and Stepanakert, the kind of transparency demanded by the Aarhus Convention was always going to remain politically-inexpedient.

The kind of citizen activism reported by *France24* is unusual in Armenia. And comes too late for many regions and people in Armenia and Nagorno-Karabakh.

"The Teghut (in Armenia's northern province of Lori) copper-molybdenum

mining project in particular poses a threat both to the environment and to sustainable development," writes Dr. Svetlana Aslanyan of the Center for the Development of Civil Society. "The government has also failed to address pollution, deforestation, soil degradation and other environmental issues, making the effective implementation and enforcement of environmental laws, as well as increased transparency and public participation in policymaking essential.[286]

Arnika, a Czech non-profit organisation focusing on the environment undertook a programme in the Caucasus nation, part of a 'Involvement of Civil Society in Decision-Making Process on Mining in Armenia' project, which is supported by the Transition Promotion Programme of the Ministry of Foreign Affairs of the Czech Republic. Reporting in April 2018, Arnika stated: *The level of contamination of the environment in North Armenia is the subject of a new research study conducted by experts from the University of Chemistry and Technology in Prague. Accompanied by the Czech organisation Arnika, the team collected soil and sediment samples. In the university laboratories, the materials are now being analysed for toxic substances. The findings of the research are expected to be published in November 2018.*

The sampling took place in the most polluted Armenian province, Lori. Here, mining and metallurgical activities are concentrated, including the Alaverdi copper smelter and non-ferrous iron-ore mines in Teghut and Akhtala.

"We've witnessed suspicious phenomena during our fieldwork," explains Arnika's project coordinator Nikol Krejčová. "Grey, blue and yellow rivers, damaged tree leaves or the spread of fine ash – the question is whether and how those are linked to the environmental pollution caused by, for example, the Alaverdi copper smelting plant, smoke from which flows through the valley striking the neighbouring villages," she continues.[287]

"The project is of great importance for the local population in order to have a better future. The people living in polluted areas will have the right to ask the appropriate state authorities for a solution to the problem and protection..." says Elena Manvelyan, director of the non-governmental organisation Armenian Women for Health and a Healthy Environment.[288]

Who is behind this degradation to the environment, the polluters? At the outset, at least, the answer takes us to Europe's least-visited country, inhabited by the fewest people and with very little land, the ultra-discreet Principality of Liechtenstein which hides the majority of the secrets of the international super rich and ruling dynasties. Here in this mysterious tax haven – squeezed into half a valley between Austria and Switzerland – there are more registered companies than citizens and it has the highest gross domestic product per person in the world. Secrecy and security has been a consistent feature and there have been no leaks of confidential documents from Liechtenstein along the lines of the Panama Papers.

Yet it is gold we are dealing with in Heyvali, and elsewhere in Nagorno-Karabakh. With estimates north of $50 billion worth of gold in the territory – quite apart from other minerals – one only has to look to the elite in Yerevan. And to those who would have the political power to secure such valuable contracts.

Yerevan has been leading a new gold rush.

When Spanish explorers first arrived in the "New World" they met the native South Americans. These two cultures had been separated by a vast ocean, they had never touched one another, they spoke different languages and lived entirely different lives. Yet they had one thing in common – they both held gold in the highest esteem and used it to make some of their most important objects.

Throughout the history of our planet, almost every established culture has used gold to symbolise power, beauty, purity and accomplishment. Today we continue to use gold for our most significant objects: wedding rings, Olympic medals, Oscars, Grammys, money, crucifixes and ecclesiastical art.

No other substance of the same rarity holds a more visible and prominent place in our society. Some 500 years on from the Conquistadors' 16th century arrival on that continent, perhaps the most surprising use of what we consider this most wealth-inferring element is in your hand. Take a good look at your smartphone. From the display and metal casing to the circuit boards that power the device, your phone is a mine of precious metals.

According to a report by *CNN Money* back in 2011, each iPhone contains around 0.034g of gold.[289] Which translates to roughly £1.35 at current prices. It is used in iGadgets because it is a good conductor of electricity and – unlike the cheaper copper – it does not corrode as quickly.

Gold is one of the rarest elements in the world, making up roughly 0.003 parts per million of the earth's crust.[290] In 2017, global gold production was a reported 3,247 tonnes,[291] with China continuing to be the world's top producing nation, accounting for 13% of global gold extracted.[292]

From resource-rich West African nations, to the mining giants of the Pacific and North America, it seems every time a government signs a deal to allow mining of its natural resources there are corruption risks – no matter where that country is. In Armenia, the rush to profit from natural resources had left behind a visible toll.

In 2017 Transparency International included Armenia in research on corruption in the mining industry,[293] while in May 2018 a segment on *France24* titled 'How corruption has damaged Armenia's environment' laid bare the issue while stating that: *Open-pit mining has left scars on the tiny country's beautiful landscape. Corruption allowed developers to flaunt environmental regulations and locals' rights.*[294]

Perhaps the best work on corrupt practices in the Armenian mining sector was done by journalists from Yerevan-based *Hetq Online*. Across multiple articles published in February 2011, including pieces titled 'Parliament President's Mining Interests'[295] and 'Who's Minding Armenia's Natural Resources',[296] the site detailed quite alarming instances of the perfidious system in place.

This included mines or operating licenses owned by Ministers and Members of Parliament through shell companies and mines or operating licenses sold to foreign entities with no scrutiny, or due process, overseen privately by Ministers and Members of Parliament. Highlighted in particular by *Hetq Online* was a 2010 deal when Paramount Gold Mining, owned by National Assembly President Hovik Abrahamyan and parliamentarian Tigran Arzakantsyan, was awarded a 25-year operating license for the Meghradzor gold mine in the Kotayk Province.

There was no tendering process and the license was granted without oversight.

Abrahamyan had given himself lucrative rights to a copper and molybdenum mine in the Vayots Dzor village of Yelpin. The license was awarded to Argamik Ltd, a company owned by Hovik's son, Argam Abrahamyan.[297]

Arzakantsyan was also fingered in another mining scam, partnering with fellow parliamentarian Vardan Ayvazyan. In January 2011, Hong Kong-based Chinese Fortune Oil Company purchased 35% of Bounty Resources Armenia, owner and operator of three iron ore mines in Armenia. The deal would be valued at $24 million by the London Stock Exchange, an amount that Ayvazyan and Arzakantsyan attempted to mask through a series of transactions and holding companies.[298]

Ayvazyan was involved in another mining-related scandal that rocked Yerevan, when Connecticut-based Global Gold Corporation publicly accused him of demanding a $3 million bribe from its top executives after the Armenian Ministry of Environment terminated the company's license to carry out exploratory and mining operations at a small gold deposit in Hankavan, central Armenia. Ayvazyan, who was environment minister at the time, would find himself subject to a United States federal court ruling ordering him to pay more than $37 million in damages to Global Gold Corporation.

Ayvazyan is a close political ally of Kocharyan and considered a friend of the former Armenian President.

The Washington swamp, as President Donald Trump refers to it, is not the only quagmire. From Armenian Presidents who have become billionaires and enriched their immediate circles, its members of parliament also divide up the country's natural assets amongst themselves. The tragedy, of course, is that it did not have to be like that.

One of my own heroes is Tsakhiagiin Elbegdorj who, as President and Prime Minister of Mongolia in an almost unbroken stretch reaching between 1998 and 2017 has grown to be considered one of the principal champions in emerging markets and was an influential architect of democracy, socio-economic development and good governance.[299] In its latest overview of the nation, the

World Bank stated: *Over the past 25 years, Mongolia has transformed into a vibrant democracy, with three times the level of GDP per capita and increasing school enrolments, and dramatic declines in maternal and child mortality. With vast agricultural and mineral resources and an increasingly educated population, Mongolia's long-term development prospects are bright.*[300]

Mongolia has its own geopolitical challenges, sandwiched between a rising, authoritarian China and an often pugnacious and still very powerful Russia. Yet its socio-economic success has been achieved through pursuit of sustainable and inclusive growth, poverty reduction, strengthened governance and building institutional capacity. Perhaps most importantly of all, however, was transparency. It is clear that the nation faces very great challenges in anti-corruption and transparency. Yet the nation has faced this head on, as opposed to Yerevan where its political leaders have themselves become champions of profiteering.

"Corruption is a true enemy to development," says Elbegdorj.[301] On his watch Mongolia has emerged to be considered the new Asian tiger, or 'Mongolian wolf' as they prefer to call it. Developments in the mining industry and foreign direct investment have increased at an astonishing rate. They like to say in Ulaanbaatar that the 'Wolf Economy' is ready to pounce and the country's stance towards capital markets and transparent, nation-benefitting development of its mineral wealth sees it likely to retain its status as one of the world's fastest growing economies. Mongolia has leveraged its assets – not least Tavan Tolgoi, the world's largest untapped coal reserve,[302] and also gold and copper – with transparency and openness and ridden a mineral-driven economic boom.

In 2011, the influential San Francisco non-profit Asia Foundation hosted a dinner in honour of then President Elbegdorj. Asia Foundation President David D. Arnold would comment that: "President Elbegdorj was among the young leaders who would help guide Mongolia through its transition to democracy. There is no question that Mongolia, under President Elbegdorj, has seen phenomenal economic growth with a strong focus on environmental protection and advancing anti-corruption measures."[303]

Is it possible to imagine anyone uttering the same sentiments in public about Robert Kocharyan and Serzh Sargsyan and keeping a straight face, not to mention a modicum of credibility? Under the patronage system they have dominated, the

likes of Abrahamyan, Arzakantsyan and Ayvazyan are just typical examples rather than exceptions.

The Ecologic Institute-led European Union Action to Fight Environmental Crime stated in its '2015 Environmental crime in Armenia' report: *Despite the European Union's efforts to promote good governance in Armenia, economic resources and political power have become interwoven in often-illicit ways. Corruption is widespread at all levels of the state apparatus. Under these circumstances, the environment frequently falls prey to the financial interests of bureaucrats, politicians and business people. Despite the fact that Armenia is signatory to several international environmental treaties and conventions, environmental laws are weak, contradictory and rarely enforced. The victims of a lax regulatory framework and environmental crime are often ordinary citizens, the economy at large and even the country's national security. Common problem areas linked to environmental crime include Armenia's vast mining sector, the logging industry and the hydroelectric sector.*[304]

In contemporary times, the Armenian people themselves have begun to resist both the corruption behind the issue, and the environmental degradation. In an *OpenDemocracy* piece titled 'Neoliberalism, mining and Armenia's politics of plunder', writer Armine Ishkanian argued that: *The campaign to stop copper mining in Teghut, which is led by the Save Teghut Civic Initiative, is the largest and longest-running anti-mining campaign in the country (2007-present). Civil society resistance against mining began in 2007 and, as I argue in a recently published piece, the movement against mining in Armenia has always been more than just about the environment – it is and has been a movement against the politics of plunder that has become the norm in Armenia's post-Soviet reality. Activists who campaign against mining describe it as "theft" (koghopowt) or "plunder" (t'alan) of Armenia's natural resources.*[305]

To plunder the natural assets of one's own nation is not only a moral issue, it has far more grave repercussions. In 2013 Jan Eliasson, Deputy Secretary-General of the United Nations, told the Security Council that a wealth of resources, including timber, oil, coal, diamonds and precious metals, failed to

translate into equivalent wealth for ordinary people and stated that: "Only a powerful few benefit," adding that the result of that inequality was bitterness, mistrust and alienation – the precursors to conflict.[306]

Perhaps even worse is to plunder another nation and, in order to achieve this, to poison the land and its people. According to Yerevan's leaders, the *raison d'être* for the Republic of Artsakh is a just cause of independence. In pursuit of this cause they have wilfully seen Armenia's economy and socio-economic development spasticised. Yet while publicly stating that Stepanakert should be welcomed into the international community of nations, several of those leaders have systematically sought to enrich themselves at the expense of its land and the people there.

Their actions, as financial beneficiaries in the process of asset stripping, and their high-minded words are strangely at odds.

The people of Heyvali will tell you that.

On July 19th, 2007, Bako Sahakyan became what *Reuters* called 'the self-styled president of Nagorno-Karabakh.'[307] He was viewed by many as a safer pair of hands. Others hoped that he represented a fresh start from the rampant nest feathering of the long Kocharyan and Sargsyan era.

A former soldier in the Soviet army, after demobbing Sahakyan had worked in a factory and later joined the militia who sought to take the territory from Azerbaijan. During the long conflict he rose to a Deputy Commander's position. In 1999, he was named Interior Minister of Nagorno-Karabakh.

As we sit in Pyatachoc Cafe-Bar on the central square, a stone's throw from Sahakyan's offices, it is possible to understand his meteoric rise from the views of his citizens. He is described as '[illegible]', having not only owl-like facial characteristics, but being nocturnally active. Certainly in his Interior Ministry days when he was known for a firm hand.

While we engage a group of fellow customers in some friendly banter, another is less charitable in making comparisons with nocturnal birds of prey.

"Like Heinrich Himmler," claims my friend over a shared pizza.

Despite a mild look of a school teacher, as Interior Minister he gained a

reputation for his willingness to brutalise first, ask questions later. Perhaps it was this ability to get his hands dirty that saw him promoted again in 2001, to head the local security services.

In 2007, Sahakyan ran as an independent and was resoundingly elected to head the administration. The people of the territory had looked for something fresh after three previous leaders – not least Robert Kocharyan – had viewed the territory as little more than a personal piggy bank.

Most voters had given up believing that any politician could be honest, or that anything could ever really change. Sahakyan ran as a clean pair of hands, although prevailing thought was that the 'system' was too well entrenched.

"...linkages between finances and the levers of power – those are the classic symptoms of kleptocracy," says Seva Gunitsky, a University of Toronto scholar who studies post-Soviet states.[308]

Sahakyan took on the leadership mantle, elected on a promise to clean up corruption, but he soon got sucked in to the swamp. He faced much dissent, not least from political appointees from as long ago as the Kocharyan era, and those with their snouts in the trough. In order to get anything done, Sahakyan's team were almost forced into a business-as-usual approach.

Sahakyan's campaign had spoken of alleviating poverty, increasing social spending and improving security. He also promised an end to the kleptocracy that has gripped Nagorno-Karabakh.

Still suffering from health issues and living helplessly in an environment that is slowly poisoning them, as the denizens of Heyvali will tell you, his administration has never even come close.

ELEVEN

GOLD RUSH

In July 2018, Felix Gabrielyan was appointed Minister of Nature Protection and Natural Resources for the unrecognised Republic of Artsakh.[309] There was no official indication as to what his predecessor, Vazgen Mikaelyan, a former mayor of Stepanakert, did to deserve losing his seat in Cabinet.

The joke we heard one evening from a group of young, angry, environmental activists in the local Bardak Pub is that Mikaelyan was informed that he was free to take anything he wanted aside from the ministry's Big Rubber Stamp, as he cleared out his office on Petrvari Ksani Street.

Gabrielyan would certainly be in need of the official Big Rubber Stamp. The job of the minister is to wield it well and endorse the mining and logging permits he is instructed to issue by his bosses, in both Stepanakert and Yerevan.

His boss Bako Sahakyan, presumably, also has a Big Rubber Stamp on his desk, because, although his election success was based upon promises of anti-corruption and transparency, nothing much actually changed.

In fact, Sahakyan was probably always on the slippery slope towards moral oblivion. Whether in order to grease the system in Stepanakert, to enrich himself and his power circle, or to maintain his ties with his patrons in Yerevan, it did not matter. He increasingly took on a leadership template used by his predecessors. Appointing family members to powerful jobs they were not qualified to hold.

Sidelining officials who ask too many questions. Entangling private business with his political role to such a degree that he literally profits from his time in Nagorno-Karabakh's top post.

While we were in the town, there were rumblings of discontent, comparisons being drawn between Sahakyan and Zimbabwe's erstwhile leader Robert Mugabe. An official in the headquarters of Artsakhbank, adjacent to Sahakyan's office, who introduced himself only as Mr. Aboutiounian stated: "They project the whole Artsakh thing as a nationalistic cause, pull in millions of dollars of cash from Armenian diaspora across the world but, when it comes down to it, use the state as a personal fiefdom, raping us financially and viewing power simply as a vehicle for dispensing favours to members of their own families.

"The biggest accounts here are all politicians and their families."

Across the road from Artsakhbank is the National Assembly of the Republic of Artsakh. Mr. Aboutiounian tells us that members of this illustrious body regularly scurry across the square to deposit unseemly lump sums of cash... American dollars, Armenian drams and Russian rubles.

He smiles sarcastically and lets his statement hang in the air.

"Where from?"

A succession of leaders in Stepanakert had shown an almost monarchical instinct, a distinct neopatrimonialism where the chief executive maintains authority through personal patronage rather than through ideology or law. Neopatrimonialistic leaders rise or fall based on their ability to plunder their own country, to staff government with loyal operatives and to, literally, buy off groups that might otherwise mount a challenge to their rule.

Sahakyan's task was always to balance his own needs with those of Robert Kocharyan, Serzh Sargsyan and their respective circles. No wonder he looks so tired.

The end goal of all of this is to allow the individual and his favoured few to live as well and securely as possible. A culture of systemic graft has become inherent to governance in the territory.

"There is nobody to stop our leaders from doing these kinds of things. Our

former Presidents from Yerevan continue to be involved. This has become normal routine. Governance here has become badly distorted," adds Mr. Aboutiounian, with a sad shrug of his shoulders. "But we live in a country where only the poor get arrested. Corruption has become ingrained in the system. Millionaire politicians don't get thrown into prison here."

One of the many issues with neopatrimonialism is that it breeds mismanagement. Now Prime Minister of Armenia, in his previous incarnation as opposition man-of-the-people, Nikol Pashinyan was outspoken in highlighting that a government, cabinet and national hierarchy staffed with cronies, and an economy based upon economic favours granted to companies willing to pay kick backs, is a recipe for widespread malaise.[310] Unravelling the system will be harder done than said.

As Sahakyan learned, acquiescence to this structure is often the only way to stay in office.

On April 12th, 1204, after a series of catastrophic military defeats to the Roman armies, the Crusaders of the Fourth Crusade entered Constantinople. What ensued was arguably one of the most overwhelming examples of plundering the world has ever witnessed.[311] The invaders had heard of the city's splendour. It was said that two-thirds of the world's riches were inside.

For more than three days they burned, destroyed, looted, raped, desecrated and vandalised. The devastation in Constantinople would be enough for historians to recognise this devastating pillage as a great crime against civilisation and history.

Beyond simple mayhem, the Crusaders did find the wealth they were seeking. Huge amounts of gold and silver, armour, gold-plated utensils, precious stones, silk and satin garments and furs were looted. The art masterpieces of the age, accumulated in Constantinople, were destroyed and any precious metals sent to the foundry.

Led by Pope Innocent III, the Crusaders of the Fourth Crusade took apart the capital city of the Roman-Byzantine Empire and made off with its riches. Perhaps there is still no precedent in modern history.[312]

It would be difficult to compare the dramatic fall of Constantinople with the Nagorno-Karabakh War. At its zenith the former was arguably the planet's capstone, the cultural, economic and intellectual capital of the world. To most observers Stepanakert was little more than the largest village in a windswept mountainous region, where cows outnumbered people.

Or was it? Nagorno-Karabakh did not have the great cultural icons, the vast palaces, or the richly decorated religious sites. But, among the fully initiated, there was an understanding that the remote territory did have great wealth. In particular, indication of this can be drawn from the work of one Soviet geologist, Arsen Tsaturov.

In 1945, Tsaturov participated in the exploration of the mountains of Geghama and Mrav and discovered new evidence of mineral deposits. Tsaturov continued to study the area and his reports indicated upwards of 500 tonnes of gold and 2,700 tonnes of silver in the Kelbajar, Lachin and Qubadli regions. He reported on vast copper deposits which he estimated at around 875,000 tonnes in Kelbajar, 450,000 tonnes in Qubadli and some 300,000 tonnes in Lachin.

From the upper reaches of the River Tartar he reported on 150,000 tonnes of cobalt, while he discovered deposits of some 2 million tonnes of chrome.[313]

At prevailing market prices in 2018 these have a combined value of some $43 billion, and beyond this he provided geological evidence of lithium and beryllium and other important elements, along with barite, pyrite and aluminium.

Let me repeat that figure – $43 billion.[314]

Tsaturov was a pioneer, though one using methodologies and technologies that have been far surpassed in more contemporary times.

Prior to the Nagorno-Karabakh War — after which information on the territory's natural resources became more of a state secret instead of a matter of public information — these figures had continued to grow. Using pre-1991 data and what limited contemporary information there is, it is possible to add to Tsaturov's statistics: Kelbajar, Lachin, Qubadli and Zangilan were believed to hold confirmed deposits of 1,250 tonnes of gold, 4,550 tonnes of silver, 1,840 tonnes of copper, 660,000 tonnes of lead, 775,000 tonnes of zinc, 150,000 tonnes

of cobalt and 2.25 million tonnes of chrome. Beyond this metallurgists pointed to some 120 million tonnes of aluminium ore and iron ore.[315]

Given the pall of secrecy surrounding discovery and exploitation of natural resources of Nagorno-Karabakh, even based upon these estimates it could be conservative to state that at prevailing 2018 market prices the territory's natural assets have a value of some $113 billion.[316]

Not included in that figure are semi-precious stones in general, mines of precious and base metals elsewhere, along with copper and molybdenum mines in Qubadli and Zangilan, unknown copper, zinc and lead deposits west of Hadrut (Hojavend) plus gold and silver discoveries made along the River Khachen (River Hachinchay). The territory is also believed to possess commercial deposits of uranium.[317]

Based on these conservative estimates and figures, Nagorno-Karabakh would seem to possess all the lustre of Constantinople some nine centuries ago.

And, indeed, exploitation would begin *post-haste.* In February 1995, the National Academy of Sciences of Armenia opened a geology laboratory in these occupied territories, tasked along with the Institute of Geological Sciences of Armenia[318] to map the natural resources of Nagorno-Karabakh and make recommendations on their exploitation.

By 2013, Armenian environmental NGO EcoLur Informational reported that across the territory there are 15 mines engaged in metallics, and a further 51 involved in non-metallics, such as construction materials like limestone.[319]EcoLur Informational highlighted the most recent valuable discovery as being the Kashen copper mine, operated by Base Metals and able to annually process up to 1,600,000 tonnes of ore.[320]

Since then other major developments had come on line, headlined by Kashen, in Nagorno-Karabakh's northern Martakert (Agdere) district.

In 2016, Armenian-owned, Liechtenstein-registered Vallex Group opened a giant copper and molybdenum ore processing plant in Nagorno-Karabakh. It represented the biggest business project implemented in the territory in more than a decade and would serve open-pit mining operations in the northern Nagorno-Karabakh, which was estimated to contain 275,000 metric tonnes of copper and 3,200 tonnes of molybdenum.[321]

Registration in Liechtenstein is significant. Not so famed for its connections to the mining industry, but certainly better known as a haven of banking secrecy and corporate ownership laws that provide comfort to those who wish these things to remain opaque.[322]

Perhaps the most famous mine in Nagorno-Karabakh, though, is Zod.

It is often difficult to travel through the Kelbajar area freely, certainly off the main roads. Some areas are essentially a restricted military zone. This is a strategic necessity of course. Many areas have their army garrisons, viewed as a deterrent to Azerbaijan.

Yet Kelbajar has more than military strategic value. It is a potential economic target, not so much for Nagorno-Karabakh and its people, but certainly for Robert Kocharyan, Serzh Sargsyan and their web of cohorts.

Securing this as a profit centre for the former Armenian Presidents, safeguarding it from Azerbaijani intervention, and also the scrutiny of unwanted foreigners, is the job of the Artsakh Defense Army. Several hundred conscripts guard the area.

Obtaining a permit to travel into Kelbajar can be somewhat trying. Officially there is no problem with passing through, but turning off the main road leads to questions being asked. It is perhaps understandable, even if you pass yourself off for a humble tourist looking to get off-the-grid, as there is simply nothing there. Apart from the mine.

We are in luck, however. Two $100 bills, neatly tucked discreetly inside my passport, was enough to prompt a helpful colonel in the Artsakh Republic Defense Army headquarters on February Street in Stepanakert to help expedite the process.

Armed with travel papers, a day later we set off along roads that became increasingly rough, twisting up and down the sides of hills amid the picturesque countryside. The M11 road leaves Armenia and takes off into the mountains in the direction of Stepanakert, via the strategic point of the Zod mountain pass, which connects Southern and Eastern Caucasia. In this area the road is not really

designed to facilitate pleasure trips. That is the way those who control the region like it.

It is all about business.

The site has a long history. There is much evidence of ancient mining: pits and funnels covered by grass, under-earth workings, the remnants of wooden mining devices, stone mortars and slags and pits. The site was active during the Bronze and Iron Ages, stretching back to the 2nd millennium BC and continuing on and off until the 14th century AD.[323] In Soviet times Zod was broadly exploited for the first time. Yet it was only after contemporary independence that the mine was industrialised on its present scale.

Stopping for *chai* in a small roadside town near Dadivank, through our translator we speak to some of the locals, who warn that the Zod mine should not be observed too closely. They know why.

Over a pastry, the story emerges of an industrial dispute between the former operators and their Indian management. When an unsecured slag heap collapsed, entombing three men, the company's dismissive handling of the issue led to industrial unrest and the threat of a walk-out.

Only then did Yerevan get involved. Instead of backing miners at the site when they highlighted a wholesale lack of safety, the message was clear. This belongs to Kocharyan. Get back to work.

The mine was operated until a decade ago by a firm named Vedanta Resources, a London Stock Exchange-listed, globally diversified natural resources company with interests in zinc, lead, silver, copper, iron ore, aluminium and oil and gas. Vedanta Resources boasts on its website that: *At the broadest level, we do this by directly and indirectly employing over 67,000 people, with the majority drawn from the surrounding communities of each of our operations. This is in addition to our contribution to the countries we operate in through the timely payments of our tax obligations. We contributed US$ 6.2 billion to our host governments through direct and indirect taxes and royalties. In addition we have spent US$ 17.63 million in community investments.*[324]

The company is led by executive chairman Anil Agarwal, who founded the firm in 1976 and has led it into controversy and conflict with local populations in many places where it operates. He boasts in his executive profile that: *Vedanta*

has grown from an Indian domestic miner into a global natural resources group with entities listed in a number of markets and a world-class portfolio at large.[325]

For good measure the firm tells itself: *The Board of Vedanta Resources plc. believes that high standards of corporate governance are critical for any business to succeed and feels deeply accountable to the shareholders for upholding this principle.*[326]

A smiling Anil Agarwal beams out from his company website. Indeed, he has done well for himself. And his shareholders. Be damned with international law. Or whose pockets he has been lining.

His self-satisfied grin betrays a willingness to get rich quickly at the expense of anyone, or anything, that gets in the way of turning a profit. High standards of corporate governance would be laughable if it was not so tragic. Tragic for the hapless workers who were employed by Agarwal and Vedanta Resources.

In the nearby town of Mets Masrik, on the Armenian side of the border, they speak of locals being employed without being given safety helmets and the most basic equipment. Safety training was non-existent.

The mine has claimed its share of victims through what they described as something akin to Victorian-era like conditions. The locals knew the dangers, of course, but jobs are not exactly easy to come by in this poor and remote region.

This was not why Vedanta Resources' contract was terminated, however. An appalling safety record and the litany of men that Zod claimed, and dozens maimed, was not particularly an issue.

Instead the problem was money. Anil Agarwal's managers fought with the representatives of its primary local partner, Kocharyan.

The old saying goes that there is honour among thieves. Maybe not. Kocharyan, using Vedanta Resources to asset strip gold from an illegally-held territory, was squeezing the mining firm for a greater share of the profits.

While auditing their operations, his people discovered what they believed were serious discrepancies in what the mine was producing and what they were being told.

The outrage of the Kocharyan organisation came with not a little irony. Under-reporting, to save on the bother of paying taxes, was exactly what they were doing to the Armenian people.

As for Vedanta Resources – which was quite happy to operate the mine in defiance of international law, not least four United Nations resolutions on the return of Nagorno-Karabakh to Azerbaijan[327], and was blamed for a string of deaths and life-changing injuries due to egregious safety standards – they took umbrage at the suggestion that it was anything less than transparent.

They left. The ownership and management of Zod now became even more suspect.

In 2008 came a new face, GeoProMining. *Bloomberg* lists this Cyprus-headquartered firm as being under the leadership of chief executive officer and director Roman N. Khudoliy.[328]

Zod sits astride the Armenian-Nagorno-Karabakh border. Legally speaking therefore it is a shared asset between Armenia and Azerbaijan, which should split revenues. In practice it is not even shared between Armenia and the rump administration in Stepanakert.

In fact, it is barely shared with the Armenian people either.

Zod is managed officially by GeoProMining Gold LLC (GPM Gold). In Yerevan, on paper the Ministry of Energy Infrastructures and Natural Resources lists the main shareholder as one Siman Povarenkin,[329] a Russian entrepreneur. Povarenkin is an interesting character in his own right, including being linked to controversial British Brexit campaigner and Leave.EU donor Arron Banks.[330] Also, in the wake of the poisoning of Sergei and Yulia Skripal in Britain, his "tier one" visa has been under review, according to *The Guardian*.[331]

As for his mining firm, GeoProMining Gold LLC (GPM Gold) is also somewhat shady. GPM Gold's actual ownership is wrapped up in a complex network designed to obscure our view. Armenia's Corporate Registry listed GPM Gold as owned by Dutch registered Dieze BV, which maintains offices in those well-known mining hotspots of Cyprus and the British Virgin Islands, in addition to Russia. In Cyprus, for example, at one point 16% of the shares were allocated to a pair of Cypriot companies – Belmarsh Solutions and Gosforth Enterprises – and its ownership is spun out even further to Luxembourg.[332]

Why the secrecy? The Panama Papers scandal put obscure company ownership and anonymous business entities back in the spotlight. Yet from Zod, GPM Gold's corporate structure snakes out across the world, creating limited

liability in multiple jurisdictions, designed to avoid taxation and, most importantly, obfuscate on the issue of ownership.

A web of offshore firms attempts to hide the truth of what is an accepted fact among the communities that skirt the facility. In the little Nagorno-Karabakh town of Kanlikend, which provides almost a dozen men to the mine, there is a quiet acceptance of their fate, although laced with not a little bitterness as to their hopeless situation.

There are no other worthwhile jobs in the area. Working at Zod pays dreadful wages. Yet there is simply no other option. One of those who makes the daily trip to the mine is Gosdan, one of some 600 men who work at Zod. As a final insult, he informs me, Armenians who are employed at Zod receive higher salaries than those from the Nagorno-Karabakh side.

A big bear of a man with the biceps that illustrates his physical efforts in the mine, Gosdan spits on the floor to underline his disrespect and growls that the people of the region live in hopelessness, while they are forced to dig out gold that disappears "to Yerevan".

Dusty and unkempt, Kanlikend shows all evidence of the malign neglect that hangs over the whole region around gold rich Zod.

In 2012, Zod invested in a new mining fleet and stripping of the existing pit. Extraction has become more efficient.[333]

On the day we stand on a ridge overlooking Zod, it looks a sleepy operation. The clatter of trucks in the distance is the only thing that we hear over the wind. Hundreds of trucks moving millions of tonnes of rubble, useless surface soil that covers ore-rich earth. Together they have formed into brand new mountains that dwarf even the real ones.

A long train, dozens of vehicles long, awaits below, ready to be filled with ore-rich earth. This will head across the Lake Sevan valley and, ultimately, arrive at GeoPro's Ararat gold recovery plant, south of Yerevan. This facility is believed to have a throughput of one million tonnes per annum and has been subject of an investment programme, a new Albion processing plant increasing the extraction coefficient for sulphide-heavy ores from Zod.[334] Recovery has rocketed from 20% to over 95%.[335]

Ultimately, how much gold is coming out of Zod? No one is entirely sure.

No reports appear on the company's website. Where does the extracted gold go from the Ararat gold recovery plant? Again, no one is entirely sure.

Gosdan and others we spoke to who work at the site tell of regularly seeing nuggets as large as a thumbnail. What is known is that lode deposits are considered high end for the industry, while gold grams per tonne of earth extracted is also positive.

Despite the secrecy that surrounds GeoProMining Gold LLC (GPM Gold)'s operations, it is clear that the operation's gold production must certainly be in nine figures each year.

None of this filters down to the economically spasticised region that surrounds Zod, on either the Armenian or Nagorno-Karabakh side. Very little revenue finds its way to the Ministry of Finance on Melik Adamyan Street in Yerevan. According to one news report that appeared on *Aysor.am*, the company has paid just $177 million in taxes and funded $8 million in social projects.

There is no information on fees going to Stepanakert.

As the mine sits on Nagorno-Karabakh territory, the payment of tax revenues, however limited, to Yerevan is a strange anomaly.

As we would later see, however, under-reporting at the Ararat gold recovery plant – indeed across the entire industry – would see Nagorno-Karabakh gold slipped quietly to a third country.

While this process was underway, the mining industry's godfathers, Kocharyan and Sargsyan, keep their many ill-gotten assets close to their chests. Yet they are generous in sharing some of this golden windfall with friends and family.

In Kocharyan's case, his wife, the matronly Bella Kocharyan, is often photographed wearing high-end pieces.

On the day that we visited Kanlikend, one thing brightens Gosdan's mood. We are joined by his friend Lernig. He lost several fingers in an accident at Zod several years ago, but still works there. Through my interpreter I learn that these grizzled miners are chuckling at events a few weeks ago, in Yerevan, when Kocharyan became the first former head of state of an ex-Soviet republic to be

jailed.[336] He was charged with "overthrowing Armenia's constitutional order".

No mention of amassing an illicit multibillion dollar fortune. Or spiriting vast amounts of gold out of the country.

The former President was soon released, of course. Cleverly Article 140 of the Armenian constitution represents a veritable 'Get Out of Jail Free' card, stating that: 'During the term of his or her powers and thereafter, the President of the Republic may not be prosecuted and subjected to liability for actions deriving from his or her status.'[337]

Basically, this allows for a President to do as he pleases.

Gosdan and Lernig joke that they are hopeful that in the days before he was released from incarceration, Kocharyan was sodomised by fellow prisoners.

"After all," says Gosdan. "He has been screwing us for years."

TWELVE

ALIA'S STORY

Karina looks somewhat older than her 60 years. Her face is heavily lined; weathered is a good description. Her lack of teeth draws her face into a sad grimace. It is hard to know if her pained look comes from a tough, rural life, her home close to the town of Noragyukh, north of Stepanakert. Or, perhaps, it is her grief.

We have met at The Roots, a well-appointed coffee shop on Vazgen Sargsyan Street. It tends to attract an upmarket crowd. Stepanakert's well-heeled wear sunglasses even when its dark. Whispering into their mobiles.

She clasps my hand. Tears well up in her eyes. She leans towards my translator and begins to quietly tell us the story of her beautiful daughter.

In fact, it is Alia whose acquaintance I made first. In Spain. Learning that I was shortly visiting her homeland, Alia had given me her mother's number.

The two are separated by 4,200 kilometres, the distance between Stepanakert and Madrid. But united through a disaster that has befallen them both.

Many cities in Spain have whiskerías. This can be translated as 'whiskey house'.[338] Yet for the clientele, visiting these dubious establishments, whiskey is far more than they are after.

Out of towns and cities, Spain has similar diversions for those so inclined. Driving between cities, at regular intervals one encounters a bright neon signs

declaring simply club.[339] Instead of a Western style club, packed with young people drinking and dancing, one can find a more mature clientele, likely to be truck drivers looking for fleshy pleasures.

Prostitution is not considered illegal. It is not regulated either. More of a guilty pleasure that Spanish society allows itself, however morally bankrupt as an idea. The sex industry is not addressed in the country's criminal code. It exists in a disgraceful legal vacuum, one which oppresses, more than anyone, sex workers. Those unfortunate to be trafficked to Spain find themselves in purgatory.

Pimping is illegal. As is street prostitution. Despite there being chains of whiskerías and clubs across the country, brothels are only illegal if their signage specifically say they are brothels.

All in all, it is a bizarre and, frankly, disgraceful state of affairs.

Inside a whiskerías, you will likely see a bartender, but not necessarily the burly doorman that one would associate with such places. In fact, a whiskería can feel pretty relaxed, straightforward and not intimidating at all.

At least, not for the customer. For the girls there, trafficked, brutalised by their owners, forced to whore themselves and intimidated to accept degrading sex acts with strangers by the hour, it most certainly is.

Madrid is currently home to hundreds of trafficked girls,[340] maybe thousands, working the clubs and whiskerías. The origins of many, if not most, are clear.

In June 2018, Spanish police launched an operation against the Armenian mafia. The agency Agencia EFE reported: *Spanish national and regional police forces were poised to detain as many as 100 people in an ongoing operation against alleged members of the Armenian mafia who are suspected of being involved in a variety of crimes ranging from tennis match-fixing to drug and arms trafficking and money laundering, officials said Tuesday. Police sources close to the investigation informed EFE that sweeping operations were underway around Barcelona, in the north-eastern region of Catalonia, as well as in locations along the Mediterranean coast and in the capital, Madrid. Officers from the national police, the Mossos d'Esquadra police in Catalonia and Europol*

participated in raids on around 50 properties and some 20 suspects were wanted in the Barcelona area alone.[341]

Despite Spanish authorities working to interrupt a crime syndicate that was running drugs, trafficking thousands of girls and involved in protection rackets and illegal gambling, the response of the Armenian Embassy in Spain was to issue a grotesque statement expressing concern over the term "Armenian mafia" used by the Spanish interior ministry and media outlets.[342]

Spain is hardly an isolated outpost of Armenian mafia activity, certainly in relation to the illicit sex industry worldwide. In July 2014 *LA Weekly* published an article titled "Taking Down Armenian Power, California's Modern Mafia" which highlighted ongoing turf wars in the West Coast city: *The whole thing started with a scene straight out of a mobster movie. It was around 6pm when more than a dozen men from two organised crime groups opened fire on each other in a North Hollywood parking lot. Witnesses say nearly everyone was armed, and the shootout quickly went mobile. The men took off in cars, exchanging fire as they weaved through the Whitsett Avenue traffic.*[343]

This was part of an ongoing war to control drug trafficking, fraud, identity theft, illegal gambling, kidnapping, racketeering, robbery and extortion. United States law enforcement continues to struggle with the issue.

In Australia too, there is widening Armenian mafia influence. *The Daily Mail* reports that foreign crime groups are setting up in Sydney because they don't 'fear' the law.[344] It highlights Armenian organised crime.

Israel has gained a reputation for a vibrant sex industry. 'Tel Aviv's lucrative sex trade industry... supported by a constant flow of trafficked women', according to *Israel News,*[345] with prominent author M.K. Styllinski writing of *'women, many of whom are young girls, are routinely subjected to violence, sexual abuse and rape which often ends in murder... girls who sell for about $10,000 to $15,000 apiece.'*[346]

The Armenian sex business also flourishes in the United Arab Emirates, with Abu Dhabi daily newspaper *The National* reporting of a typical story when: *Ani was 20 and working on a market stall in a Bangladeshi area of Yerevan, the*

Armenian capital, when she was given an offer she couldn't refuse – the chance to work as a nanny in Dubai for a tempting tax-free wage.

But Ani, like many women before her, had fallen victim to a sinister human-trafficking ring run by three Armenian sisters. When she arrived in Dubai, her passport was taken away and she was sent to live with "Madame Anoush" in her brothel in Deira, where she was forced into prostitution.

Anoush Martirosyan, 40, the leader of the operation, was sentenced to 13 years in prison by a Yerevan court on April 20 after UAE and Armenian authorities worked together to gather evidence against her.[347]

These reports and others from around the world feed into a broader view highlighted by a *Radio Free Europe/Radio Liberty* investigation that: *The Armenian authorities have done little to combat illegal trafficking of hundreds and possibly thousands of Armenian women abroad for sexual exploitation despite their persistent claims to the contrary, according to the findings of a nearly year-long journalistic investigation.*[348]

Hetq Online reports suggest that there could be as many as 2,000 Armenian prostitutes working in the UAE and other Gulf states.[349]

In July 2017, citing comments made by Vache Hovsepyan, head of a special subdivision at the Police Department on Combating Organised Crime, Armenian news site *Tert.am* reported that children account for 50% of trafficking victims in Armenia.[350]

Entering Ocho y Medio you are greeted by a madam. She pours a drink, on the house, and provides a menu of services so that you may be acquainted with what is on offer. But it is who is on offer. At her command a group of girls appear, blondes, brunettes, and a redhead. All wear only the smallest of G-strings. On the end of the line is a dominatrix holding a paddle board which, I am informed, is called a Bottom Tenderiser here.

It would almost be funny, if it was not such a tragic scene. A motley group of girls forced into a line up, being offered from a printed menu for *penetración anal* at €45 and *oral sin condón* for another €25.

Almost expressionless in the centre of the line, trying to avoid my stare and

therefore the possibility of being chosen, is Alia. She is almost waif-like. Gaunt. Pale. There is a whiff of giving up about her. As I will later learn, this has much to do with the heroin she has ingested.

Instead of one of the spartan, by-the-half-hour rooms in Ocho y Medio, I opt for the *servicio de comida para llevar*. Alia can spend the night with me at my hotel, the Hotel Santo Mauro, for €650. With a wink, the madam tells me that I have made the right choice. Alia, she says, is "abierto a cualquier cosa", open to anything.

Sitting in The Roots, Karina begins to tell a story. It starts with living peacefully. Happily. Their mixed community. The war and in particular the events of February 1992 in nearby Khojaly.

She lost personal friends in Khojaly, an ethnic massacre. They were Muslims. She does not care who knows it. The different religions lived, not just peacefully, but well together, says Karina. Three of her friends were felled by machine gun fire as they fled. She does not know what became of their children.

What she does wish is for things to return to how they were before the war. It was a more peaceful time. For all the revenue earned by the government with the mining and logging we have seen on our journey through the territory, she says that life has got progressively worse across that time.

When Karina's husband passed away, life became ever more difficult as she struggled to support their three daughters and one son.

John Miller, a senior Department of State official in charge of tracking human trafficking around the world, said that there is a public perception in Armenia that corruption among law enforcement officials seriously hampers the fight against human trafficking. "The lack of public trust is a serious obstacle to progress in this area," Miller told Armenian journalists in a video conference from Washington.[351]

Reported by *Radio Free Europe/Radio Liberty*, the same article states that: *a senior prosecutor dealing with human trafficking admitted on Wednesday that*

transport of Armenian women for sexual exploitation abroad has reached "alarming" proportions... The United States report also said that despite a reported increase in the number of trafficking-related criminal cases opened by Armenian prosecutors only a handful of individuals were imprisoned on relevant charges last year. While the government increased implementation of its anti-trafficking law, it failed to impose significant penalties for convicted traffickers.

'In March 2017, the Council of Europe also had its say. The Council of Europe Group of experts on action against trafficking in human beings, known as GRETA, published a report stating that Armenia remains primarily a country of origin for victims of a trade dubbed "modern slavery". GRETA called upon Armenia to do more to prevent trafficking of children, trafficking for labour exploitation, as well as to protect and assist victims.[352]

Relieved just to talk and not have intercourse with me, Alia says she thinks she has had sex with 1,000 men in Spain alone. She wonders when she will be set free, but then how she will return home and to her community with such shame around her shoulders. The normal dreams of a young girl from Nagorno-Karabakh: marriage, a small family, of peace, she says, is now over.

How could a real man want her? How could she ever enjoy a relationship with a man, when in her mind she will always be haunted by visions of the creatures she routinely pleasures?

Alia also works two other establishments, Pacha and Moma 56, depending on where her bosses see the business is on a particular night. On her left temple there is a prominent scar. Alia explains it is the result of an hour with a Pakistani businessman, who took exception to her refusal to provide services that were not even on the menu at Ocho y Medio.

Alia cries herself to sleep at night. Or, to be precise in the morning, as she goes to sleep after working all night. For throughout the night she is 'entertaining', a euphemism that her owners like to use when describing her business.

Each evening. Seven days a week. A steady stream of men who visit her tiny, grubby room to force sexual deviation upon her. They don't seem to mind that,

as they heave themselves into her, they are rolling on a bed still reeking of the body odour of several other men. Nor do they seem to care that the wet patches on the bed, that they kneel in, and lie on, are semen from those same visitors. They don't care about that. Nor do they care about her.

Alia has been beaten, slapped, punched, cut, burned with cigarettes, robbed, urinated upon, forced into degrading sex acts and found herself vomited over by drunks. She has had numerous unnatural items thrust into her. She has been forced to have sex with three and even four men at once.

There are threats that she will be made to have sex with a dog, with customers paying to watch. She does not doubt it.

It is a far cry from anything Alia knew before in her life, brought up in semi-rural Nagorno-Karabakh, not far from the capital. They were simple times, her head was at peace until her family was rocked by the death of her father. Alia's family struggled on, with help from relatives, but it was not enough.

Alia got on with helping her family. Aged 14 she dropped out of education and got a job in a supermarket in Stepanakert. Commuting the 45 minutes back and forth every day. The town provided a financial lifeline to the family through the few Drams she brought home, equivalent to maybe $200. But it would also be their undoing.

Alia's curse would be that she is indeed pretty. When I met her she was five years into her heroin addiction. Half a decade ago, in the flush of her teenage years, she must have been a beauty.

Her curse would bring her into contact with sex-industry recruiters. They stalk the town. Looking for victims. An insidious search for young girls.

In its assessment of the methodology of gangs operating in the area, the Organisation for Security and Co-operation in Europe did not mince words in its report, 'Trafficking in Human Beings in the Republic of Armenia', when it stated that*: Anecdotal evidence suggests that some victims were promised jobs in the service sector and deceived, while others, often with previous experience of offering sexual services, expected to get engaged in prostitution. According to the police, traffickers often recruit among prostitutes.*[353]

When Alia received an offer, for a hotel job in Sri Lanka, her mother was both horrified and thrilled. Her daughter was so young. They needed her. But the

offer of a whopping $1,000 a month salary was too good to be true for the embattled family.

Indeed it was.

Within weeks Alia, now possessing a Republic of Armenia passport showing that she was 18 years old, and with a visa issued by the Sri Lankan Honorary Consulate in Yerevan, flew along with a group of other girls to the island.

'...the government adopted a National Plan of Action to Combat Trafficking in Persons. Between 2004 and 2006, the Government of Armenia took some steps to increase awareness about trafficking.

Despite numerous initiatives and activities that have been conducted, there are still significant gaps in many areas of the anti-trafficking response. The assessment team identified serious shortcomings in practically all areas of anti-trafficking activities undertaken by the state. The state authorities pay limited attention to the issue, and efforts to combat trafficking in human beings remain erratic.'[354]

The aforementioned report, 'Trafficking in Human Beings in the Republic of Armenia', reached a series of damning findings. These are in parallel with most international reports on the issue. Most pan-national bodies and non-governmental organisations steer clear of Nagorno-Karabakh, of course, the territory falling between the cracks due to its disputed status.

The pimps and recruiters are not so choosy. They are active there and most of the girls poached from within that territory pass through Armenia. Many, like Alia, are also provided with under-the-counter Armenian passports.

How all this is allowed to happen is the subject of much diplomatic chatter. Perhaps the best example of this emerged thanks to *WikiLeaks*. Marked confidential and titled 'Concerns about prosecutorial conduct', this official United States Embassy communication goes into detail in explaining how human traffickers had funded holidays to Dubai for senior officials from the Armenia Prosecutor General's office, along with others. The same document also told of: *...serious, persistent allegations that senior members of the Prosecutor General's office are susceptible to outside influence... We have already noted the problem*

of prosecutors charging traffickers with lesser charges, i.e., charging them with pimping instead of with trafficking.

Aristakes Yeremyan is the principal investigator in the Prosecutor General's office who deals with trafficking cases.

In conversations with us he has demonstrated a lack of sensitivity, but has said nothing that would directly tie him to illegal activities. He has insisted to us, for example, that "pimping" is the correct charge to use in trafficking cases because, "all the prostitutes knew in advance" that they would be working as prostitutes...[355]

One particular note from this alarming report requires a separate paragraph. As reported in this United States Government document, the principal investigator in the Prosecutor General's office in Yerevan incredibly informed United States officials of his sympathy for traffickers because they spend "so much money on these women, on their makeup, perfume, clothes" and that this is "very expensive".[356]

Alia and other girls had been told that hotels in Sri Lanka were looking for Russian speakers to handle a rise in Russian tourists. The first she knew otherwise was when she arrived in Colombo, capital of the Indian Ocean nation, and was told straight that, that night, she was to begin work.

Her Armenian boss ran a lucrative business passing white skinned girls among mainly Indian visitors to Sri Lanka. From a flat in the Crescat Apartments along the city centre Galle Road, the girls were parcelled out to customers. When Alia refused she was repeatedly beaten, until she submitted. They knew her mother, her siblings, her home, she was told. What did she imagine would happen to them if she did not do as she was being told?

Along with a dozen of other girls at any one time, they ran the gauntlet of nine months 'entertaining' the most obnoxious men she could imagine.

When her local pimp's phone did not ring and business was lax, she was forced to hang around in Bally's Casino many evenings in order to tout for business among the clientele there.

Most days she would be driven around town to be delivered to hotel rooms.

As many as four or five each day. In each she would be forced into a demeaning routine of sex acts.

Several times each month she was dropped at the Presidential Palace, where 'parties' raged most of the night, fuelled by whiskey and local hashish. These parties were the worst, as she was passed around among as many as a dozen men in a few hours.

Only when Alia was an emotional and physically wreck, after months of this treatment, was she allowed to go home. She was still just 15.

After months away, Alia returned to her village with just $1,000 in her purse for nine months' work. Her bosses had charged her clients $100 per hour, or between $250 to $350 per night.

Many government and law enforcement agencies were rather reluctant to share relevant information, opinions or anecdotal information, referring exclusively to generally known statements about trafficking in human beings in Armenia. In general, perhaps understandably, governmental agencies had a tendency to portray the state of affairs in more positive light than the representatives of the international community and civil society.[357]

That same team from the Organisation for Security and Co-operation in Europe summed up in their findings, above, with what sounds like a domestic sense of denial, or perhaps an outright cover-up.

Again *WikiLeaks* gives an indication of what the international community was saying privately.

In the *WikiLeaks*-released cable *06YEREVAN1091*, United States Ambassador John Evans vividly describes the culture of immunity and rampant power abuse in Yerevan in relation to investigation and prosecution of those behind the industry.[358]

Elsewhere Ambassador Evans wrote of a visit to the town of Vanadzor. His words make alarming reading, as he spoke of: *...prostitutes gathering after dusk in the traffic circle outside a central church to begin the day's work... girls as young as 11 and 12 have started walking the streets... We visited a decrepit shanty town, where prostitutes work for bread and rice... illicit smuggling across borders*

and of girls lured into prostitution under false pretences... on legal passports, with legal visas, and for the most part without having to bribe border guards to let them through. Pre-teenage girls ride buses to Turkey...[359]

Ambassador Evans' report is disturbing.

In one notable exchange with Prosecutor General Aghvan Hovsepyan, with Ambassador Evans attempting to bring the issue of trafficking and corruption to his attention, Hovsepyan responded: "May God keep us from the evil that comes from prostitutes."[360] And saw him refer to the victims with an amazingly frank contempt, saying that such cases were common and that most reports were simply generated by ill-intentioned prostitutes who were angry with their pimps.

Official reaction in Yerevan to exposure of these tragic stories shows a pattern of disregard. The online publication of *MassisPost*, one of Armenia's political newspapers, reported that: *Cables on sex trafficking in Armenia reveal frank contempt toward victims and contradictory statements from the law enforcement officials on collusion in sex trafficking.*[361] Furthermore *MassisPost* added that statements made by the Armenia General Prosecutor's Office seeking to refute the allegations exposed by *WikiLeaks*: *...contradicted by information on reports of Armenian investigative journalists and Trafficking in Persons Report – United States Department of State.*[362]

Physically and emotionally shattered by the ordeal in Sri Lanka, but back home, Alia found the strength to repair herself slowly. She told no one of her suffering, least of all her mother. But it was no good. Something had changed in her. She was hardened. And her family was still suffering.

Alia took the brave, or perhaps foolhardy, decision to try again.

Even as you are reading this, the next part of the story seems obvious. As Alia tells the story today, she does not know if she was plain stupid, continued to be naïve, or suffering something approaching post-traumatic stress disorder and therefore on mental autopilot. Either way, she was about to plunge herself into a horror that made Sri Lanka seem like an Indian Ocean holiday.

Still aged 15, a female acquaintance of a friend pointed her towards an advert in a newspaper. Western families needed maids. Good girls only need apply.

With the endorsement of this person, whom she now believes to work for the same recruitment gang, Alia and her family scraped together the $150 fee that was required to apply. After a month, she was called to a smart office in Yerevan for an interview. The offer was $600 a month and full board, looking after a Spanish family with children.

After a brief meeting at a Western Honorary Consulate in Yerevan, accompanied by a representative of the recruitment company, she was granted a Schengen visa, stuck in her forged Armenian passport. Corrupt officials from two countries had now provided the means of her undoing.

Barely a week later, Alia packed a small suitcase and made her way to Zvartnots International Airport. Two dozen young Armenian and Karabakhian girls were there. They giggled and smiled, chattered about their hopes and told stories of how they were going to send money home while, with a glint in their eyes, it would not be too bad if they met a boy who wanted to marry.

They never saw it coming. Their flight was cancelled said the older, matronly woman who was there to accompany them. They would spend a night at a local hotel and fly tomorrow instead.

Ushered through the terminal, they took a minibus to a low-rent hotel on the outskirts of Yerevan. They were allowed to call home for a few minutes. Alia sees now. The phone call was to allow their trail to go cold, to placate and quieten families, allowing just enough time for the girls to disappear.

It took one day before her naïvety wore off.

Alia had been through it before. Two of their party were whisked away in the middle of the night. A third, who refused to leave, was found, beaten to a pulp.

Then Alia knew.

A new man, who said little, hovered around and watched. He made no attempt to hide the gun he was carrying. “Remember” he told them, “you filled out an application form? We know your mothers, your fathers, your sisters and your brothers. Where you live. If any of you run, or do anything stupid, we will not think twice about killing them.”

It was here that Alia was introduced to her real captor. She and all the girls were injected with heroin. When heroin is ingested, it enters the bloodstream

through the nasal and sinus passages, creating an almost instantaneous high that is rather short-lived. It is not unpleasant, of course. Indeed, for a young girl going through this kidnapping experience, the high was perhaps welcome.

Yet this was no act of charity. In as little as few days, the girls were hooked.

When a heroin user subjects the body and brain to repeat doses of the drug, the brain gets a repeated and unhealthy level of stimulation. In response, it is exhausted, and the brain takes action, dampening response to any other source.

The addict quickly needs more of the same drug to achieve the same high. Heroin addicts need and search for hits that are bigger and bigger because their experience of pleasure is shrinking. They have a problem feeling pleasure or satisfaction from even the things that used to make them so happy, the things that healthy people usually enjoy.

Alia was now ready.

Former United Nations Secretary-General Ban Ki-moon called human trafficking a "vicious chain that binds victims to criminals"[363], during the 2013 General Assembly's high-level meeting on the United Nations Global Plan of Action to Combat Trafficking in Persons, adding: "We must break this chain with the force of human solidarity." At the same event Armenian Deputy Prime Minister Armen Gevorkian stated that "...the Armenian Government declared the fight against human trafficking as a priority more than a decade ago..."[364]

In early 2018 Serzh Sargsyan, who held senior government positions since Armenia regained its independence from the Soviet Union in 1991, was swept away in a Velvet Revolution. In his wake, he left behind a nation whose poor economy and deep corruption has left almost one-third of the country's three million people living below the official poverty level, according to the Asian Development Bank.

This horrific situation has left Armenia's people in a vulnerable state.

Human trafficking is one of the most profitable crimes in the world and has continued to flourish in Armenia, despite high-minded public pronouncements. According to *Antitrafficking.am*, an organisation that cooperates with the country's National Assembly, High Commission on Anti-Trafficking and the

Ministries of Social Security and Health, among others, states that*: ...there were even cases when traffickers were relatives or friends of the victims, sometimes even the initiators were parents. Traffickers mislead the victims with promises and guarantees of profitable work in their homeland or abroad. The promises are from earning high profits for non-professional jobs to starting or continuing professional careers in a well-known international organisation.*[365]

Since Armenia's independence, thousands of Armenian women and girls have been taken – to Russia, Turkey and some states of the Gulf – to be initiated into prostitution.

An investigation undertaken by Edik Baghdasaryan and Ara Manoogian – journalists for *Hetq Online* and *TheTruthMustBeTold.com* – reached the startling conclusion that approximately 2,000 Armenian women were involved in the sex industry across just three small Gulf nations – the United Arab Emirates, Bahrain and Oman – their findings documented in the film and book, *Desert Nights*.[366]

Countless thousands of women and girls have found their destinies so tragically intertwined across the modern story of Armenia. Their narratives embody the tragedy of the nation.

THIRTEEN

THE *REAL* MADRID

Nice club with nice stuff, you will have a good time with dancer.
— Julio Aracon.

European level. Club amenities. — libido555you

Club for people with a special taste. — Eduard Mkrtchyan

Google Reviews of the California Night Club – a wretched Las Vegas-esque strip joint along the M5, a road that takes arrivals from Zvartnots International Airport into the capital – are sanitised. But give an indication as to the after-dark delights that are on offer.

Alia was pretty. A round face, wide eyes. A neat blonde bob. Well-proportioned body. 5'7 tall. Busty, but with slim hips. Her physical appearance made her an instant hit with the regulars at California.

By now, hopped up on heroin and craving more, Alia was ready to do whatever it took to get a line or two.

Each evening she, and those others wretched enough to look good in lingerie, would be collected and driven to California Night Club. There, they would be made to dance on the small stage.

It took a practiced apathy not to make eye contact with customers, and not to attract attention while dancing on stage topless and wearing only stockings and

suspenders. But even then, several times each evening, each girl would be hurried to a backroom and forced to have sex with yet another foul-smelling drunk who had stumped up the $50 charge.

Alia was promised some of the money for her acquiescence. But she never saw any. They said that whatever she was making was needed to offset the cost of her heroin addiction.

The turnover of girls in Yerevan's seedy strip clubs is pretty steep, however. Even those who go along with their fate can only take so many long nights in Armenia's smoke-filled clubs. Their embrace with heroin becomes too strong. Their pallor becomes grey. Their attitude worse. Then it is time to ship them out.

The government knows, of course, with the sex industry becoming progressively more endemic across the city. With payments, and the provision of girls, those in power have remained conveniently pliable.

According to *Asbarez*, a United States-based newspaper that serves the Armenian community: *Prostitution in Armenia can be divided into three groups: street prostitution, elite prostitution and exported prostitution. The cheapest street prostitutes have their own spots in central streets and "earn" from $10 to $50 in a couple of hours. The elite prostitutes have cars, cellular phones and mainly gather at expensive cafés. Their per hour income may reach $100. The last group of prostitutes "work" abroad. The outflow of Armenian prostitutes to Turkey, United Arab Emirates, Germany and CIS countries is also growing.*[367]

Along many streets in downtown Yerevan, and across a widening net beyond, the city is increasingly dominated by not-so-subtle sex clubs masquerading as nightclubs. Grimy, down-the-stairs bars where punters pay $50 for a private room and the pleasure of the company of an unfortunate sex slave. Alia was one of them.

Charlotte Cabaret, Night Club Omega and California Night Club have uplifting names. Yet a tissue-strewn room where one can pay a single 'Ulysses S. Grant' to cruelly screw a 17-year-old from Vagharshapat is hardly glamourous.

While Charlotte Cabaret – conveniently over the road from the Presidential Palace considering that the owners regularly sent girls over for at least two of its occupants – and California Night Club are perhaps the best known of Yerevan's

seedy clubs, it is Night Club Omega on Teryan Street where the big money lies.

Most taxi drivers in Yerevan will ask a foreign passenger if they fancy some 'jiggy-jiggy', particularly after dark. For those that do, they will invariably take to Night Club Omega as the manager pays them a fee for doing so.

Alia had long since passed through the club scene in Yerevan. At Night Club Omega there is the regular menu of services, but it is what is off-menu that is interesting.

On the night we descended the spiral staircase into the bowels of this hideous Gomorrah and sit around its entry level bar, the girls were welcoming and the drinks cheap. The intention is to drag punters further in. It costs 100,000 Drams (approximately $200) to enter the hedonistic inner sanctum.

It is there that private dances become discussions on something far more, far worse. As the evening wears on, and I tip liberally, I begin to be noticed beyond the scope of the regular punters around me. Alia has been clear to me about the 'concierge services' that are available at a price.

I let it be known that I am seeking something other than just fooling around with one of the well-proportioned young ladies on offer.

What is clear to me is that in any modern nation, one professing to be a 21st century, democratic state, no matter how addled and corrupt one may find the political class, this is not normal. On Teryan Street, in the centre of the capital, in a commercial establishment that is well known, I am offered very underage girls, seriously underage. And indeed very underage boys if that is my preference.

This is not hedonism. It is an abyss. An underworld of wretchedness. Paedophilic is beyond words. Commercial paedophilia, found here on the streets of Yerevan, is a cancer that shames us all.

In April 2018, a *Radio Free Europe/Radio Liberty* profile of post-Sargsyan Armenia titled 'Armenians Want What They Need, After Getting What They Wanted', delved into the direction that the nation needed to head and the socio-economic funk that dominated life.

The writers of the piece, Alan Crosby and Amos Chapple, noted: *Take a walk south from the protests on Republic Square in the capital and you enter the*

industrial area of Gortsaranayn. In Soviet times, its factories were bustling with activity, employing thousands as they hummed with production. Now, the factories mainly lay silent, broken windows pockmarking the façades where managers once mingled with floor workers. Prostitutes walk broken sidewalks at night, avoiding piles of garbage as they ply their trade in the dimly lit streets.[368] The domestic sex industry is small potatoes though. Control the clubs and control the girls. Control the girls and there is a ready supply available for export purposes.

And export they do. The almost legendary Armenian madam of Dubai, Lusine Hakobyan, was into 25 'bodies', as they called them, every month. Strangely, given the historical enmity, Turkey was also a burgeoning market for Armenian flesh.

Also known locally by the moniker Aisha, Hakobyan in particular won a reputation for being icy, even in an industry run by some of the hardest and most despicable criminals. In a profile of the UAE-based madam, *Hetq Online,* noted that: *She is known among prostitutes for being cruel and slovenly. Like most Armenian pimps she first came to Dubai as a prostitute herself, but quickly worked her way up to boss... said K. from Charentsavan, one of Aisha's victims. "But I don't think there is anyone crueller than she is. She beat us and forced us to work even on the days when it wasn't possible to have sex. I used to cry and tell her that I couldn't do anything, but she would throw me out of the house.*[369]

As was common practice, the madam had destroyed the passport of the girl in question, ensuring that she had no way out. *Hetq Online* traced the tragic evolution of most girls' career in the Emirates. After working as escorts, or in bars and nightclubs, after they lost their looks, or will, they would be shifted to housing districts where Asian construction workers lived *'where they charge $3, $5, or $10'.*[370]

Discussing 'Prostitution: A Key Metaphor of Post-Socialist Transformation', and how the nation's society squares its supposedly conservative values system with so many women being forced into the sex industry, the Journal of the International Institute questions if the phenomenon is a *"white genocide"* of Armenians?[371]

According to the International Organisation for Migration, high demand in

destination countries, as well as the lucrative profits to be made by a trafficker, and the fact that 'poorly paid officials are willing to turn a blind eye or to falsify travel documents in exchange for money',[372] made Yerevan the new Bucharest.

Hundreds of girls, many teenagers, would find themselves unwittingly shifted across Europe and forced, under duress, to perform sex acts. Alia, was trafficked once at 14 to Sri Lanka. Then a year later, while 15, to Spain.

"The victims of trafficking are often women from socially vulnerable groups. They are mostly single, widowed, divorced, or abandoned women who do not have a regular source of income. They often have children and elderly people under their care," says Viktoria Avakova, coordinator of the anti-trafficking programme at the United Methodist Committee On Relief. "Because of a lack of education, or more often, a lack of job opportunities, they are unable to earn money to live and support a family the normal way. Victims are often women who have been subjected to domestic violence trying to escape from their relatives at any cost. Traffickers target such women."[373]

Yerevan's tragic sex clubs simply did not have the capacity to recruit enough girls. Fake employment schemes and marriage proposals all help to cull victims from poor communities across the country. Another methodology was to simply offer parents in the many impoverished areas in Armenia cash for their young daughters.

According to experts, women are often tricked with false marriage proposals. In Armenia, particularly in villages, it is considered shameful if a girl is still not married by the age of 25. Victims of trafficking are often women who have been reproached by relatives because of the 'shame' they have brought on their family, or just to escape from their villages. Many such women are ready to marry even under extreme circumstances.

"They show the girl a photo, saying 'this is my relative's son, living in the United States, you will marry him', and so they take the girl with them. Can you imagine? Or they speak with a guy on *Skype* and later say that he is their 'knight on a white horse' and they travel in an unknown direction. There have been such cases in our experience," says Avakova.[374]

So lucrative is the business – sources estimated that the partners earn $5,000 per 'body' who goes on to work in a British brothel, or $10,000 and more for

those considered pretty enough to become a high-class agency hooker – that numbers have continued to rise.

According to Britain's All-Party Parliamentary Group on Prostitution and the Global Sex Trade, women are being sexually exploited on an industrial scale in so-called 'pop-up brothels' run by trafficking gangs, all over Britain. Brothels, often set up in residential properties using short-term leases, allow gangs to keep ahead of police and retain control over the women.[375]

How this industrialisation of the sex industry in Armenia has been allowed to develop is indeed a question. Another may be how the political class in Yerevan have been induced to remain pliable as the pimps have contrived to ship a generation of women abroad to work as sex slaves.

In any other democratic nation, the idea of serving as a wholesale source of female flesh for the European and Middle Eastern sex industries would have been the source of a backlash and scandal.

In Armenia, under Robert Kocharyan and Serzh Sargsyan, the sex business has been allowed to flourish. How has this been possible? At least part of the story comes down to a pervading bigotry and discrimination. Human Rights Watch notes: *Armenia's human rights record remained uneven... concerns include domestic violence, often perpetrated with impunity, violence, and discrimination based on sexual orientation and gender identity, and unnecessary restrictions on access to pain medications for people with life-limiting illnesses...*

Despite evidence that violence against women remains common and sustained pressure from women's rights groups and activists, Armenia has no law criminalising domestic violence and has not ratified the Council of Europe's Convention on Prevention and Combating Violence against Women and Domestic Violence.

The Coalition to Stop Violence Against Women published a report documenting 30 cases of women killed by intimate partners and family members between 2010 and 2015. The report notes that domestic violence is grossly under-reported and largely perpetrated with impunity. Coalition members receive more than 2,000 calls about domestic violence each year.[376]

The *#MeToo* movement and its attack on the prevalence of sexual harassment and sexual assault seems a long way from Yerevan. In its corridors of power Armenia, it seems, has more than its share of overly empowered and behaviourally inappropriate Harvey Weinsteins. According to the April 2018 United States Department of State, Bureau of Democracy, Human Rights, and Labour report: *Although the law addresses lewd acts and indecent behaviour, it does not specifically prohibit sexual harassment. Observers believed sexual harassment of women in the workplace was widespread.*[377]

This has permeated into a societal malaise – one in which the nation's leadership and government has, it seems, gone along with more than happily. A wall of silence. An egregious willingness to profit from, or partake in, the fruits of the sex industry.

In a September 2016 Human Rights Council speech, United Nations High Commissioner for Human Rights Zeid Ra'ad Al Hussein criticised the authorities' denial of access for his staff.[378]

In the United States Department of State's Trafficking in Persons Report 2018, Secretary of State Michael Pompeo stated that: "Modern slavery has no place in the world, and I intend to ensure, through diplomatic engagement and increased action, that the United States Government's leadership in combating this global threat is sustained in the years to come."[379] In their 2018 document, Pompeo's team report on a continuation of Yerevan's altogether relaxed approach to the issue, reported: *Observers reported the Investigative Committee (IC) or Prosecutor General's Office dropped most cases categorised as trafficking by local police due to a lack of evidence. Local investigators lacked the skills to properly interview victims, especially children... Law enforcement investigated only formal criminal complaints filed by victims that specifically alleged trafficking and did not proactively investigate criminal activity that potentially involved trafficking. As a result, law enforcement initiated investigations only when victims self-identified.*[380]

So what is behind the administration's seeming acquiescence? Money certainly. It can often help to know a man's proclivities. In Charlotte Cabaret,

for example. We spoke to a generously-proportioned Sudanese dancer. Prior to the Armenian Velvet Revolution, she claimed she met regularly with one former President at the behest of her pimps, as a valued added service. Gloria was discreet, did not like to talk about it much, but said that he was generous with his tips.

Among the girls here and in the likes of the Crazy Show Club on Myasnikyan Avenue, if you are a paying customer, willing to cough up for enough drinks and dances, the girls are happy to name drop cabinet ministers, armed forces chiefs and police bosses, diplomats and parliamentarians, society's movers and shakers, who they have served to various degrees.

There have been times when scandals have shocked the establishment and often these have included what is said to be the widespread use of prostitutes.

In 2011, Prime Minister Tigran Sargsyan was rocked by a sex scandal. Sargsyan's advisor Serop Der-Boghossian, the Prime Minister's front man in ownership of a mining firm called Metal Prince, which held lucrative rights in and around the northern town of Akhtala, was arrested by the National Security Service. He was charged with sex abuse stemming from media reports that implicated him in paedophilia, including film evidence and testimonials from those who he had abused.[381]

Another example, from 2015, came when long-married Yerevan State Engineering University head Hovhannes Tokmajyan was ruined as evidence crept into the public arena of his extramarital activities, a scandal from which he never recovered.[382]

In 2015, the nation's political leaders were hard at work debating amendments to the constitution. Controversy reigned.

The constitution was set to restrict marriage as a union only between a man and a woman. The issue of same-sex marriage became contentious in Parliament, leading to accusations that some parties were becoming too liberal in their approach to sex. Focus expanded from legislating against LGBT rights and to the booming sex industry.

It was a seminal challenge to the sex industry. Footage began to circulate,

showing senior and well-known political figures discussing procurement and their personal needs.

Whispers of a possible sex scandal eventually reached the local media. In August the news site *Lragir.am* reported: *Two sex scandals are maturing on these days, one is an everyday, the other is a political one, both are related to the Armenian government and Russia. Several Republican members of parliament have been caught while having a chat with Russian teenagers on Skype on intimate topics. Perhaps they thought that Skype cannot be "wiretapped". On the other hand, it has obviously become a stimulus for the process of clarification of relations among Republican groups. The second sex scandal is larger in scope and is related to an individual who is the chairman of some Armenian-Russian organisations and is known to have received high awards and medals from different Armenian agencies.*[383]

Lragir.am was not quite on the money. Yet the basics of its story were correct. Lawmakers were discussing sex and someone had the evidence of wrongdoing.

Parliament quickly backed off from the issue. The Armenian mafia had succeeded in protecting its lucrative human trafficking business, and the sex industry.

In a report to the Human Rights Council in March 2016, Maud de Boer-Buquicchio, United Nations special rapporteur on the sale of children, child prostitution and child pornography, stated that the extent of child trafficking is unclear in the absence of relevant legislation and child-friendly complaint mechanisms, and insufficient awareness-raising among parents, professionals, and society. She urged authorities to pass domestic violence and other relevant legislation and ensure the child protection system consistently acts in the best interests of the child.[384]

For a generation of children and young girls, the wait for leadership has already cost them dear.

For several months, Alia worked the strip club scene in Yerevan. Yet she was

always destined for more. No matter how much she would try to avoid it.

A well-established physiological process was underway. It is not in female psychology to pleasure an unremitting line-up of men. They need to be broken down.

Piece by piece. First there are the threats and intimidation. Then the drugs. Then introduction to the 'business'. Then they strip them of everything. Stripped of everything from their old life, losing their belongings, is a step toward reducing personal identity towards zero.

From the innocence of their upbringings, homes, families and society, they are catapulted into a world where they exist in a singular state: They are tools.

Human trafficking has become an even more lucrative business in light of the refugee crisis, making record profits of between £2 billion and £4 billion[385] last year as criminal organisations in Europe extort money from people desperately fleeing home for a different continent.

A new report from the European Commission – which only includes victims identified by the authorities – paints a grim picture. More than 1.2 million people are estimated to be victims of forced labour, sexual exploitation and forced marriage on the continent – but barely a handful of victims are identified. The report concluded that sexual exploitation is the main purpose for human trafficking, making up 67% of the total registered victims and stated: *Austria, Belgium, France, Germany, Greece, Italy, the Netherlands, Spain, Switzerland and the United Kingdom are the most targeted countries by human traffickers, due to the high demand for cheap sexual and labour services in these countries. Trafficking for sexual exploitation can take on different forms: more visible ones, as in the case of street prostitution, but mostly clandestine ones, operating in brothels or private homes.*[386]

To most casual observers in Europe, the issue of human trafficking is one dominated by horrific images of slave labour markets in Libya, and news stories of Africans, Syrians and Afghanis attempting to make their way towards a better life, aboard flimsy boats in the Mediterranean.

In November 2017, the bodies of 26 young Nigerian women were found

floating in the Mediterranean – another tragic incident adding to the many left to die while seeking refuge in Europe.[387]

The brutality of borders, marked by barbed wires, walls, floating bodies and push backs, is not an invention of the Trump administration. This is the reality of the European Union 70 years on from the adoption of the Universal Declaration of Human Rights, its opening preamble recalling the disregard and contempt for human rights that outraged the conscience of mankind.

Yet amid the television news broadcasts and reams of newsprint dedicated, rightly so, to the crisis of those seeking refuge in Europe from Africa and Asia, there remains a worsening issue with sex trafficking.

European Union countries reported 15,846 victims of human trafficking between 2013 and 2014, 76% of which were women and girls, according to a 2017 European Commission report.[388]

Existing simply for the quite brutal sexual gratification of men – and little more than cashpoint vaginas that enrich the criminals behind the crime.

Alia and those selected to be trafficked alongside her in 2017 were lost. Gone. They were now ghosts. Lost from the system.

After six months on the sex circuit in Yerevan, Alia was heading to Western Europe, using her forged Republic of Armenia passport and a cheaply purchased Schengen visa. Each week dozens of girls are shepherded out of the country aboard Air Armenia flights to Athens, Paris and Frankfurt, from where they are spread around the continent.

Alia flew to Germany. She never saw most of the other girls again. She found herself crossing Europe's open frontiers, until she reached Madrid.

Lonely Planet says of the city: 'No city on earth is more alive than Madrid, a beguiling place whose sheer energy carries a simple message: this city really knows how to live.'

For millions of visitors each year, Spain's capital represents the definition of cool, a city of elegant boulevards and expansive, manicured parks such as the Buen Retiro. It is renowned for its rich repositories of European art, including the Prado Museum's works by Goya, Velázquez and other Spanish masters.

The heart of old Hapsburg Madrid is the portico-lined Plaza Mayor, and nearby is the baroque Royal Palace and Armoury.

Yet, in a contrast of cultures, this is a nation of the whiskerías and clubs.

Within the neighbourhood of King Felipe VI's palace there are whiskerías. In this historic nation, with its noble place in modern civilisation, Prime Minister Pedro Sánchez and the nation's leaders, in the Congress of Deputies and Cortes Generales, seem entirely comfortable with the presence of 'clubs'.

In this era of the *#MeToo* movement, it is worth noting some facts about those who turn a convenient blind eye to the sex trade.

The monarch has two daughters – Leonor, Princess of Asturias and Infanta Sofía of Spain.[389] The Prime Minister also has two, Carlota and Ainhoa.[390] These two dominant personalities of modern Spain have daughters, wives, mothers, sisters, aunts and nieces.

Yet they are content with the whiskerías and clubs on their doorstep, and around the nation. As are the nation's Deputies and members of the Cortes Generales.

That is not to focus just on Spain.

Prostitution will never be eradicated fully, yet the point must be made that while international leaders take an almost *laissez-faire* approach to the sex industry, it is impossible to believe that the female members of their families, their staff, their voters and their subjects, can look at them without soul-searching disappointment.

While *#MeToo* rages around the world, they allow sex clubs to flourish, staffed by sex slaves spirited into the nation, intimidated and coerced into the ultimate in human degradation. Alia was just one.

Do those around Armenian Prime Minister Nikol Pashinyan not wonder why he continues to allow young girls to be trafficked from his nation to serve as sex slaves in Western European brothels?

What about the daughters of Serzh Sargsyan, whose influence over Yerevan extended years? Do his daughters, Anush Sargsyan and Satenik Sargsyan, drive through the capital in their flash cars and consider the fates of the girls who work in the sex clubs that flourished during his tenure?

Or indeed those girls whose tragic stories would see them trafficked abroad,

to a certain ghastly and unthinkable life?

Awash with their own privileged lives, Anush and Satenik, along with Gayane Kocharyan, it seems, have no time for girls like Alia.

If one considers the hapless tale of Alia, now trapped in purgatory in Madrid, one sees a clear answer.

Just the night before I met her, she was threatened by her owner and forced to consent to perhaps the ultimate degradation. If she could have walked straight in the days following her latest violation, perhaps she would attempt to clear her mind from its demons with a stroll. Perhaps it would take her past the Palacio Real de Madrid or the Complejo de la Moncloa. Perhaps it would take her close to the Palacio de las Cortes.

Inside these buildings men of great influence go about their business. Like those in Yerevan, they care nothing for Alia and the thousands like her. Forced into damnation.

In The Roots, a coffee shop in downtown Stepanakert, Karina pulls a photograph of her lost daughter from her purse. She shows me the face of an innocent 14-year-old, an image taken in the months before she left Nagorno-Karabakh for the first time.

From the few, fleeting telephone calls that Alia has been able to make, her mother believes that her daughter is working in a café in Spain. Karina just wants her home now.

She has already been trafficked to two different countries. On two different continents. That is in addition to those long months providing services in a variety of depraved clubs in Yerevan.

Alia is still just 17.

FOURTEEN

LORDS OF WAR

In 1992, in response to the worsening armed conflict between Armenia and Azerbaijan over Nagorno-Karabakh, the Organisation for Security and Co-operation in Europe requested participating states to impose an embargo on arms deliveries to forces engaged in combat in the territory.[391]

Since then, this request has not been repealed. It represents a voluntary multilateral arms embargo. Despite this, a number of Organisation for Security and Co-operation in Europe participating states have supplied arms to the protagonists since 1992. And, of course, arms and munitions have readily found their way into the hands of the embargoed Artsakh Defense Army.

Yet this illegal business has not just proliferated and stoked strife in the Caucasus region, but taken Nagorno-Karabakh as a key component of its trade in death and destruction.

It is the story of the beginnings of how illegal arms helped fuel the Nagorno-Karabakh conflict, and the quarter century of stand-off since then. It is the story of how Armenia came to be so inherent to the global arms trade, via a beginning in Nagorno-Karabakh. It is a story that mirrors the industry's effect on nations, regions and territories across the world.

And it is a story that affects us all.

There is a strong correlation between organised crime and war. The crime-

conflict nexus results from conflict providing opportunities for organised crime through the state's diminished law enforcement ability, along with the economic hardships which civilians face, a factor in Armenia and Nagorno-Karabakh as political elites have enriched themselves at the expense of ordinary people and the economy.

This reality is also fuelled by the abundance of groups, political elites, paramilitary and criminal, who all need to generate revenue in order to sustain themselves.

How the crime-conflict nexus has affected Armenia has become all-too apparent. A society awash with arms. In more contemporary times, the brother of Armenia's former Prime Minister Hovik Abrahamyan, Henrik Abrahamyan, was arrested for illegal arms procurement and possession,[392] the discovery of arms' cashes in Etchmiadzin, 18 kilometres west of Yerevan, and a scandal when Armenian 'hero' of the Nagorno-Karabakh war and Republican Party MP Manvel Grigoryan was arrested after the authorities discovered large quantities of military aid in the former general's residences,[393] have all typified the widening grasp of a nation flooded with illegal arms and arms dealing.

These examples illustrate a nation whose immediate post-independence history was one dominated by war and conquest. The bloody Nagorno-Karabakh war set Armenia on a path to militarisation, awash with arms.

Yet the effect has been far from just domestic, and serving to prolong the Nagorno-Karabakh dispute. In their book *The South Caucasus – Security, Energy and Europeanisation*, published by Routledge, Meliha Altunışık and Oktay Tanriseve note that: *...The beneficiaries of this illegal trade are warlords who also maintain different official positions in government institutions of Armenia and are among those who strongly oppose the resolution of the Nagorno-Karabakh conflict, because the beneficiaries of the arms deals do not want to lose a source of income, as is the case with other illegal activities.*

A report of February 15th, 2013, submitted to the Security Council on the illegal arms trade in Libya by the expert group established by the United Nations Security Council found that Armenian agents are among those who violated the arms embargo in the Libyan case (United Nation Security Council 2013, pp. 19-21, 63, 65). This fact is also a serious violation of the international obligations

that Armenia has taken, specifically the principles of the Conventional Armed Forces in Europe Treaty, whereby Armenia undertook the obligation to reduce and not to disseminate conventional arms.[394]

Armenian fingerprints have appeared in a variety of locations. The result of the conflict, the creation of a 4,400 square kilometres unrecognised Republic of Artsakh, sitting largely out of reach of global law and order platforms, has been to create space for the illegal arms business to thrive. In 2001, a United Nations meeting on the Illicit Trade in Small Arms heard that: *The territories occupied by Armenian armed forces, including the Nagorno-Karabakh region, are now centres for illegal arms transfers and terrorist smuggling activities.*[395]

From the rumbling conflicts of Afghanistan, Iraq and Yemen, to the ongoing Mexican Drug War, and to trouble spots as geographically diverse as Myanmar, Ukraine, Libya and the Central African Republic. Amid all these, Syria continues to be the hub of global misery. In March 2018, the Syrian Observatory for Human Rights, a British-based war monitor, estimated that 511,000 people had been killed in the Syrian war since it began, seven long years earlier.[396]

The war in Syria has become the world's worst man-made disaster. A humanitarian calamity in Syria has affected millions of lives. More than half of Syria's pre-war population has been forced to flee, including 6.3 million internally displaced persons.[397] There are more than five million refugees living in refugee camps in the Middle East and Europe.[398]

"Small arms do not only make easy the taking and maiming of lives, but also kill economies and the social bonds on which every kind of collective institution and progress rely," says United Nations High Commissioner for Human Rights Zeid Ra'ad Al Hussein.[399]

Across the Middle East arms fuel strife. According to the United Nations High Commissioner for Refugees and the Internal Displacement Monitoring Centre, at least three million Iraqis have been displaced as a result of civil strife.[400] In Yemen, the United Nations believes that more than 10,000 civilians have perished from the fighting[401] and the International Organisation for Migration and United Nations High Commissioner for Refugees estimates that around three million Yemeni civilians have been displaced from their homes since the beginning of that conflict.[402]

An analysis published by Geneva-based humanitarian think tank, Assessment Capacities Project, warned of persistent humanitarian crises highlighting hotspots in Somalia, Nigeria, Mali, the Democratic Republic of Congo, Nigeria, Sudan and South Sudan, among others.[403]

Little more optimism can be drawn from The Asia Foundation's most recent 'State of Conflict and Violence in Asia' report, which has chapters that detail the armed insurgencies, terrorism and conflicts that have befallen Afghanistan, Myanmar, Pakistan and the Philippines.[404]

A clear factor in the rise of these tragedies is that the trade in irregular and black market arms has fuelled the rise of violent and extremist groups in numerous countries. This illicit industry has enabled terrorist groups to thrive in countries affected by conflict and violence.

Although the international Arms Trade Treaty sought to regulate the international arms business, a flow of arms and weapons to violent and extremist groups that continues to fuel bloody conflicts, it has been hampered owing to a lack of ratification by some member states of the United Nations.[405]

And, the willingness of some to enrich themselves through the business. Where once conflicts were fought by armies with heavy arsenals, a prevalence of small arms has allowed this to change dramatically.

As Dr. Hanif Hassan Ali Al Qassim, chairman of the Geneva Centre for Human Rights Advancement and Global Dialogue writes: "It has brought the war closer to people. The pattern of modern warfare has changed. Battles that were once fought on the unpopulated shores of Normandy and in the desert of El Alamein are now being fought in the urban centres of Gaza, Mosul, Baghdad and Aleppo, affecting the lives of millions of civilians... The disproportionate use of force has caused immense suffering leading to abuse and to the killings of civilians. Collateral damage has emerged as an acceptable term to justify errors and the indiscriminate use of force."[406]

Dr. Al Qassim urges ratification of the Arms Trade Treaty and for states to comply with its provisions so as to end an illegal arms trade that is currently estimated to be valued at around $10 billion per year.[407]

Perhaps only this will, ultimately, deny weapons and arms from ending up in the hands of extremist groups such as Islamic State, the Taliban, Boko Haram and Hezbollah. That said, as recently as 2010 the Armenian President's Office and Foreign Ministry declined to comment on reports that the United States accused Armenia of re-exporting weapons to neighbouring Iran, the godfather of Hezbollah and deeply implicated in the Yemen crisis.

This is the story of a veritable Walmart in the illicit arms trade.

All this began with the creation and, since then, the maintenance of a dystopian crime nightmare for the forces of law and order. While Armenian and Nagorno-Karabakhi political figures have stood by, impassive, crime godfathers have utilised the space afforded them.

This has accounted for Nagorno-Karabakh's emergence as a hub in the heroin business, both cross border by land and, as we witnessed, via Stepanakert's airport.

Yet the remoteness of the territory means that the world's gun runners have also been able to use it to their advantage. Airports and landing strips are the key links in the chain of a global trade. Be it drugs or illegal arms, clandestine airstrips underscore the size and audacity of international crime organisations. The beautiful, wind-swept remoteness of Nagorno-Karabakh belies its status as a 'heroin corridor', connecting Afghan cartels to the streets of Western Europe.

Asking how these air operations continue to function unchallenged, a senior United States law enforcement official based in Europe, who cooperated on this title and asked not to be named, asked me rhetorically: "Why would they? Politicians, military men and senior officials are part of it."

Google Maps provides only part of the picture. There are some grey zones, cut by *Google* from its Maps service around the world. In Nagorno-Karabakh most of these are along the line of contact with Azerbaijani and Armenian forces. There are some grey zones in the inner parts of Karabakh as well. Yet this is only a part of a story that the same official calls an "opaque netherworld of illicit aviation, one that is very hard to detect."

Nagorno-Karabakh is sparsely inhabited. Remote. Beyond the purview of

international law enforcement. Across the territory's 4,400 square kilometres, clandestine airstrips, far away from any populated areas, pop up in pastures and farmlands. These flat tracks are between 550 and 1,100 yards in length and because drug planes can be as small as nimble single-engine Pipers, they are easily landed on a stretch of pastureland that has been pre-checked for holes and other impediments.

He adds: "These are almost untraceable. These landing strips can be created in an hour on a field, or even a piece of track road, be used, and disappear from view with minimum camouflage, a few tree trunks, or an old car shell. Literally there is nothing to see, even if half an hour earlier a Cessna has landed, been refuelled or unloaded, and taken off again."

The decades-old Nagorno-Karabakh conflict between Armenia and Azerbaijan should have been resolved through diplomacy, or even just the application of basic international law. Instead, a generation has passed and the hapless international community has been remarkably neutered. Perhaps more could have been achieved if all the international shakers in this tragic story had even wanted an enduring peace. And if, wrapped in an almost perennial state of 'frozen conflict', Nagorno-Karabakh had not been so useful.

Not everyone has been a loser in this story.

When he died in 2011, *The Guardian* wrote of the repellent Armenian Sarkis Soghanalian: *For a man who lived his life in the shadowy, secret world of arms deals and spooks, Sarkis Soghanalian, who has died aged 82, never stopped talking. About his deals, his connections. To government agents, prosecutors and journalists. In private, on television. Often to keep out or get out of jail. Most of what he said, while well-informed, was self-serving; much of it was difficult to prove and some was hard to believe.*

Over two decades, Soghanalian was the world's largest private arms dealer – involved in Lebanon, Nicaragua, Angola, the Iran-Iraq war. A short, rotund figure, Soghanalian revelled in being described as "the merchant of death".

"That name does not bother me a bit," he explained.[408]

Perhaps it should have. For although Soghanalian enjoyed a somewhat

romanticised view of his life and achievements – he was reportedly the inspiration for the role played by Nicholas Cage in the 2005 movie *Lord of War*[409] – the character of Yuri Orlov enjoyed better looks and more charisma than Soghanalian.

The two did share an overwhelming trait though, a willingness to supply arms to any cause, any despot, any murderous group or any gang. Soghanalian fuelled the emergence of worldwide terrorism. He was not ashamed.

Born into an Armenian family, he would go on to be recalled by *The New York Times* as: *...a larger-than-life arms dealer who provided weapons to Saddam Hussein and many other dictators and rebels, worked closely with American intelligence...*[410]

A major arms supplier to Hussein during the Iran-Iraq war in the 1980s, he was convicted for an arms deal to Mauritania in 1981 and sentenced to prison in 1993 for smuggling helicopters to Iraq in violation of United Nations sanctions. He is also said to have supplied Exocet missiles to Argentina, which were later used in the Falklands conflict to sink *HMS Sheffield*.

Soghanalian was already the world's biggest purveyor of illicit arms when his homeland came calling. And with a profitable opportunity.

As the disintegration of the Soviet Union took place in late 1991, competition for Nagorno-Karabakh became an increasing reality. The conflict was already spiralling out of control, but when Soviet era forces began breaking up, this bequeathed both the Armenians and Azerbaijanis an arsenal of ammunition and armoured vehicles. Both sides sought to acquire weaponry from military caches located throughout the region.

Many Soviet troops joined the deepening melee on the side of Armenian separatists.

While Baku was defending what appeared to be its national integrity – international law defined the territory as being Azerbaijani and it remained ethnically so – for Armenia, and especially the Armenia diaspora around the world, the cause was more of a *cause célèbre*, a point of reference for the Armenian people as a whole.

Today there are estimated to be 11 million ethnic Armenians around the globe,[411] while just three million live in Armenia itself.[412] The cause of 'Greater

Armenia', expansion beyond recognised borders and the assumption of a far broader 'homeland' remained a dream.

It was one to which Armenians home and abroad were willing to contribute. Hundreds of millions of dollars poured in through donations to appeals for relief aid.

As both sides launched themselves into a Caucasus arms race, Yerevan would reach out to Armenia's most famous son – Soghanalian. He would not be found wanting, although his interest came with a hefty profit margin for himself. Soghanalian sent 26 planes to Armenia in the wake of the 1988 earthquake[413]and, beyond the immediate emergency, they continued to fly in and out of Yerevan ferrying non-material cargoes. This period marked the beginning of the Armenian nationalist movement and the first stirrings of a serious separatist effort in Nagorno-Karabakh.

The conflict, supported by a generous response from the diaspora, quickly outgrew its early 'Karabakh Armenian villager with a hunting rifle' stage, and was upgraded through stocks of modern tanks and armoured personnel carriers, heavy artillery and rockets.

While post-Soviet arms stocks certainly fuelled the conflict, in Stepanakert today Soghanalian's name is mentioned with almost reverent tones. People speak of him almost as a Robin Hood-style character, flouting the international establishment and their arms sanctions, and cleverly able to support the downtrodden Armenians.

That particular vision of him nonsense, of course. For one thing, Robin Hood never paid himself a 200% mark up. Soghanalian's allegiance to Armenia extended to how much it bolstered his bank balance.

If true, however, his contacts into the likes of Bulgaria's VMZ and the Czechoslovak Armament Works in Prague and Brno, ensured escalation, a widening trail of death and destruction, and succeeded in tipping the military balance in Armenia's favour.

Across the border his arms flowed from Armenia. Tonnes of weapons also came in by air, dropping into remote airstrips and then flooding onto the battlefield.

In May 1992, Armenians forcibly gained control over Karabakh[414] and then

even appeared to attack the Nakhchivan Autonomous Republic[415], an Azerbaijani enclave separated from Azerbaijan by Armenian territory. Fear of possible action by Turkey, Russia and others led to demands for action by the Conference on Security and Co-operation in Europe, now the Organisation for Security and Co-operation in Europe, and the United Nations.

Armenia and its separatist forces stepped back from that fight. But they had won the war.

A ceasefire took effect on the night of May 11th, 1994.[416] Large scale fighting ceased but the withdrawal of troops, return of refugees and deployment of peacekeepers, which Moscow hoped would largely be a Russian-dominated Commonwealth of Independent States entity, never occurred.

Today Armenian forces continue to control some 20% of Azerbaijani territory[417] and almost one million Azerbaijanis live as Internally Displaced Persons.[418]

Four United Nations Security Council resolutions were passed in 1993 to call for the withdrawal of local Armenian troops.[419] Despite this, in the years that have passed, a post-cleansed population of some 150,000 people have begun to feel increasingly secure.[420] To this backdrop the authorities having built local administrative structures and held elections.

According to Thomas de Waal, writing in *Black Garden: Armenia and Azerbaijan Through Peace and War*, one of the most seminal books on the issue, some 6,000 Armenians died, and 20,000 were wounded, many with life-changing injuries – in addition to some 30,000 Azerbaijani deaths.

Measuring the cost of acquiring these 4,400 square kilometres of real estate can be measured in lives lost. But that was incidental for Soghanalian.

According to records at the Czechoslovak Armament Works, some $12.5 million in arms were sold to the dealer during this period. Soghanalian himself noted, given the uniqueness of his service, often overcoming international sanctions and delivered courtesy of one of his planes, his mark-up was mind-blowingly high.

Soghanalian was a businessman, and for each life claimed by the conflict he did very well indeed.

He would not be the last and while a great many arms dealers, Armenian and

foreign, would benefit both from the Nagorno-Karabakh conflict and the swathe of grey territory it created as a helpful spin-off.

When ethnic-Armenian international trader, Paul Mardirossian, was extradited from Panama to New York to face charges for his involvement with a veritable armoury of weapons, the United States Drug Enforcement Administration special agent in charge, Derek Maltz, said: "Mardirossian commanded a global empire of weaponry and sought to arm and fund insurgents and terrorists around the world. With [Mardirossian] out of business and in a United States courtroom, the world is a safer place."[421]

In a briefing paper titled 'Why the United States needs an Arms Trade Treaty', Oxfam notes that: *...the United States Government has also urged governments, such as those of Armenia and Yemen, to better tackle arms brokers.*[422]

One of those involved with Yerevan was Viktor Bout, a Tajikistan-born Russian dealer, and named by *The New York Times* as 'by most accounts the world's largest arms trafficker'.[423] He would later be convicted in a Manhattan federal court of conspiracy to kill United States' citizens and officials, delivery of anti-aircraft missiles, and providing aid to a terrorist organisation, and was sentenced to 25 years imprisonment. In a 2010 interview with Germany's *Der Spiegel,* his wife, Alla Bout admitted that he travelled to Armenia.[424]

In addition to the human detritus that is the unconscionable model of a modern independent arms dealer, state actors have also been happy to be a part of the situation.

In the Caucasus, the Kremlin has cleverly guaranteed that it has its cake, and eats it too. The primary tool of international diplomacy on the issue has been the Organisation for Security and Co-operation in Europe's Minsk Group, tasked to settle the Nagorno-Karabakh conflict. The Minsk Group has a co-chairmanship mechanism comprising Russian, United States and French co-chairs, which began operating in 1996.[425]

Yet, one may ask how, having accepted a role as part of the Minsk process, Russia can actively, and somewhat aggressively, sell copious amounts of deadly

weapons to both sides, ensuring perhaps that both feel emboldened, yet at the same time Moscow is positioning itself as an arbiter.

The European Council on Foreign Relations notes that: *The flare-up in Nagorno-Karabakh in April 2016 again raised questions as to the extent of Moscow's influence and role in the South Caucasus. It is quite clear that Karabakh is the only post-Soviet de facto state that is not under Russia's control. There is no common border, no Russian troops in Karabakh, and no direct relations with Moscow. But even so, the simmering conflict provides Russia with tremendous leverage in the South Caucasus – a region Moscow considers to be its backyard.*[426]

That leverage steadily increases.

On November 14th, 2016, Russian President Vladimir Putin signed a decree on the creation of a joint Russian-Armenian military force.[427] It will patrol Armenia's entire land border, and it contains a mutual defence clause. Any attack on Armenia will be viewed as an attack on Russia, and vice versa.

The agreement also allowed Armenia to purchase Russian arms at domestic prices, further bolstering its military capabilities, although the nation can barely afford them at any price.

Moscow is Yerevan's self-proclaimed ally. The two enjoy ever-closer bilateral ties. And they have built relations through the Collective Security Treaty Organisation, a grouping of post-Soviet states somewhat comparable to the North Atlantic Treaty Organisation. Russia's quite open support for Armenia gives it all the moral standing over Nagorno-Karabakh as the United States has over Palestine, particularly under President Donald Trump.

And that moral deficit continues to grow. On March 29th, 2018, *PanARMENIAN.net* reported: *Russia will begin supplying arms to Armenia under a new defence loan agreement worth $100 million in 2018, deputy director of the Federal Service for Military-Technical Cooperation, Vladimir Drozhzhov, told reporters on Thursday, March 29th, according to RIA Novosti. Speaking at ArmHiTec-2018, an international exhibition of arms and defence technologies currently underway in Yerevan, the Russian official said the delivery is slated for this year.*

Armenian Defence Minister Vigen Sargsyan said earlier that Yerevan intends

to acquire weapons of "strategic deterrence" from Moscow with the new loan.

In December 2017, Armenian President Serzh Sargsyan signed the law on the ratification of the agreement on the $100 million defence loan with a maturity of 15 years. Besides, in June 2015, an agreement was signed to provide Armenia a state export credit worth $200 million to purchase Russian-made military products. 18 contracts were signed within the framework of the loan, Armenia's defence ministry reportedly said.[428]

Russia's continued intrusion into a not-so-frozen conflict in which it was supposed to be an arbiter, in favour of one side, has created division and rancour. Yet while the Kremlin has consistently and determinedly undermined peace, there are also others who have not wished to see a settling of the dispute. Why kill the goose that lays the golden egg?

Or several of them.

FIFTEEN

FRIENDS LIKE THESE

Armenian President Serzh Sargsyan was effusive and full of warm platitudes: "We deeply cherish our friendship with the United States and are pleased that through the joint efforts we have elevated our bilateral partnership to a qualitatively new level... We attach great importance to the deepening of the multifaceted Armenian-American cooperation and value your assistance..."[429]

Writing to President Barack Obama in 2014, the exiguous Armenian leader was fulsome in his praise. So he may. With their unexplained billions in personal wealth, politicians Robert Kocharyan and Serzh Sargsyan have been happy to accept largesse.

And while holding out the hand of friendship, at the same time the Caucasus nation has been holding a grenade in the other...

Indeed a whole arsenal.

Perhaps no other nation in post-Soviet space received greater support from Washington during the difficult transition from totalitarianism and a command economy to democracy and open markets.

Washington's Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act was enacted in October 1992.[430] This aimed to support the fifteen successor states of the Soviet Union.

The February 1995 United States General Accounting Office report to Congress on United States Bilateral Programmes to the former Soviet Union does

not make the best of reading. For fiscal years 1990 through 1993, 19 United States Government agencies committed a total of $10.1 billion for bilateral grants, donations, and credit programmes to former Soviet states.[431]

In every statistical table published within the report, Armenia is either the biggest single recipient of support, or second to the Russian Federation. Yet despite this backing from Washington, the General Accounting Office's references to Armenia make pretty dismal reading, including criticism of the United States Department of Agriculture's programmes in Armenia, as slow and with questionable success at market development, programmes hampered as 'the Armenian Government failed to pass a budget' and notes how 'high-level political battles over small amounts of money' hampered the process.[432]

Under this and other programmes, Washington has provided more than $2 billion in humanitarian and technical assistance to Armenia, according to Bridget Brink, United States Deputy Assistant Secretary in the Bureau of European and Eurasian Affairs.[433] It was a figure agreed by former United States Ambassador Marie Yovanovitch who wrote in *Inside a United States Embassy: Diplomacy at Work* that: *Over the past 18 years, the United States had provided nearly $2 billion in assistance to Armenia, the highest per capita amount for a post-Soviet state.*[434]

Some in the United States had begun to question their politician's unquestioned support. *The New York Sun* wrote of: *A close ally of Russia, with a grossly corrupt economy and a ruler accused of increasing authoritarianism, Armenia hardly seems a prime candidate for massive doses of American aid money. Yet this tiny South Caucasus republic receives more American aid per capita than any other country except Israel... Armenians can thank one of the most effective and well-organised ethnic lobbies on Capitol Hill for the windfall. With wealthy backing and strong grassroots support, America's million-strong Armenian population, concentrated in the north-east and California, has for years successfully lobbied for increased aid.*[435]

The Armenian National Committee of America and Armenian Assembly of America, largest and most influential of a burgeoning number of Armenian

American grassroots political organisations, have led a highly effective pro-Armenia lobby.[436] The strength of this can be derived from its concentration in a select number of congressional districts, such as California's 28th, while half of all Armenian-Americans live in just 20 congressional districts, allowing them to project themselves as a voting bloc.

This lobby stalks Washington's corridors of power and has very effectively won influence, using political donations and efficient public relations. The likes of Republican Congressmen Mark Kirk and Democrat Frank Pallone were induced to write official letters to the head of state of an unrecognised pariah territory, the Republic of Artsakh.

Legislators like Anthony Portantino, Barbara Boxer, Scott Wilk and Robert Menendez are similarly known for their leanings.

If influence peddling represents the scourge of good government, money represents its poison. The *Open Dialogue Research Journal* notes that: *the Armenian lobby in the United States is very similar to the Gulenists in Turkey, in that they represent a shadowy power network with a concrete geopolitical agenda advanced through manipulative means.*[437]

Beyond Sargsyan's effusive celebration of Armenia-United States political ties, and also Washington's $2 billion cash inflows to Yerevan, are perhaps Armenia's actions. Kirk, Pallone, Portantino, Boxer, Wilk and Menendez, and the constituents who vote for them, should perhaps take note of how Armenia has responded to this largesse. And, in particular, that of the nation's leadership, not least the deeply cherishing Sargsyan.

In late 2008, Washington concluded that Armenia had supplied Iran with consignments of rockets and machine guns.[438] These had begun to surface in Iraq, at that time in the grip of sectarian violence following the United States-led 2003 invasion.

When Yerevan's arms sales reached the hands of militants, battling with United States forces, and resulted in casualties, investigations into the source of these lead backward through Iraq, Iran and to Armenia. Needless to say, Washington was unhappy that a supposed ally, and recipient of generous aid, was quietly

selling weapons that were now claiming the lives of United States servicemen.

When Secretary of State Condoleezza Rice discussed their concerns with President Sargsyan, on the margins of the United Nations General Assembly, he was adamant that no transfer occurred.[439]

And, for this, Sargsyan would be pinned as a blatant liar. His strong denials would unravel quickly, and much to the fury of the Americans.

WikiLeaks would bring this whole affair into the open. A secret State Department cable *134490*, summarised that: *In 2003, Armenia facilitated Iran's purchase of rockets and machine guns. In 2007, some of these weapons were recovered from two Shia militant attacks in which a United States soldier was killed and six others were injured in Iraq. The Secretary discussed our concerns with President Sargsyan on the margins of the United Nations General Assembly, but he denied any transfer occurred. The direct role of high-level Armenian officials and the link of the weapons to an attack on United States forces make this case unique and highly troubling. These transfers may provide a basis for sanctions pursuant to United States legal authorities.*

We propose a series of steps that Armenia will need to take to prevent future transfers, which will be weighed in to the consideration of sanctions. We hope to use the threat of sanctions as a tool to generate Armenian responsiveness so that we will not be forced to impose sanctions measures.

The Deputy Secretary is writing to President Sargsyan and indicating that a team will be sent to Armenia to seek written agreement that Armenia will take steps to ensure that it does not become a source of weapons for Iran or other states or groups of concern.

The team will also present additional information that will make clear why the United States is convinced that the transfers happened and make it unreasonable for Sargsyan to continue his denials. We anticipate that the team will travel to Yerevan in the coming weeks, to provide sufficient time for the incoming Administration to be briefed on the situation.[440]

The President of Armenia had been caught out in his deceit by Secretary of State Rice. His falsehoods threatened his nation's relationship just as much as

the transgression that had occurred. In response to his outright denials, State Department cable *134490*, also details a letter sent to the Armenian President by John D. Negroponte, Deputy Secretary of State at the time, which expressed "deep concerns about Armenia's transfer of arms to Iran which resulted in the death and injury of United States soldiers in Iraq."[441]

Negroponte also wrote that: *By law, the transfer of these weapons requires us to consider whether there is a basis for the imposition of United States sanctions. If sanctions are imposed, penalties could include the cut off of United States assistance and certain export restrictions.*[442]

It is worth noting that Armenia has proven itself an equal opportunities gun-runner – and played Moscow every bit as badly as it has Washington.

In 1991, Chechnya declared independence and preserved its de facto independence until a second war broke out. In 1999, Russian Government forces started an anti-terrorist campaign in Chechnya, in response to the invasion of Dagestan by Chechen-based Islamic forces and, by early 2000, Russia almost completely destroyed the city of Grozny and succeeded in putting Chechnya under direct control of Moscow.

Despite the Kremlin's ongoing material and political support for Yerevan, the 2001 Small Arms Survey, published by the Geneva-based Graduate Institute of International and Development Studies notes that: *Chechnya provides an intricate example of illicit small arms transfers. According to unofficial sources, the first such transfer occurred in May-June 1991, arranged between the ethnic Armenian militia in Nagorno-Karabakh and the National Congress of the Chechen People.*

The militia in Nagorno-Karabakh began to arm itself with more modern small arms and light weapons obtained from Soviet military units stationed in the Caucasus. In turn, they got rid of their obsolete arms... Through Georgian paramilitary middlemen, a significant number of Armenian small arms were traded for oil and oil products from Chechnya. The storming of the government offices of the Chechnya-Ingushetia Autonomous Soviet Socialist Republic and the seizure of Russian Federation military installations in Chechnya by armed

Chechen rebels was actually carried out using these weapons of Armenian origin.[443]

For its $2 billion, the United States believed that it was supporting an ally in post-Soviet space. Perhaps this would even counter increasing Russian influence in Yerevan.

Despite this aid, when it came to the big decisions, Yerevan fell in with Moscow. In 2015, for example, following a discussion with Russian leader Vladimir Putin, Sargsyan announced that his country would affiliate for trade purposes with the Eurasian Economic Union – Russia, Belarus and Kazakhstan – rather than the European Union.[444] Armenia linked itself to Moscow's strategic orbit.

Both Washington and Moscow had been played.

Indeed, for all the glad-handing proffered by Kirk, Pallone, Portantino, Boxer, Wilk and Menendez, *et al*, and President Vladimir Putin's generous economic and military aid, the extent of the government of Armenia's intentions can be found some 200 kilometres from the country's capital.

A visit to Zorats Karer – often referred to as the Armenian Stonehenge – can be a little underwhelming. Stonehenge, after all, is Stonehenge. Nevertheless Zorats Karer's stone settings, burial costs and standing stones, some 200 plus stones, dot the landscape and create a unique scene that dates from the Middle Bronze Age to the Iron Age. According to archaeoastronomers, many of the standing stones were likely used for astronomical observation.[445]

Zorats Karer provided us with a cover story. We are here to see something far more contemporary. Not far from the town of Sisian, just off the Yerevan-Meghri highway, lays an airstrip.[446]

39°32′49″N 046°03′25″E are the coordinates.

Sisian Airport is one of the first in Armenia for civil flight, and later reverted to military use. Indeed, it remains under the purview of the Ministry of Defense and when *Hetq Online* asked the defense ministry about the technical state of Sisian, Garnik Hayrapetyan, the Ministry's chief of staff, confirmed that it remains functioning and has radio and navigation equipment. Hayrapetyan also

noted that Sisian is still in official use.[447] The Sisian airstrip is little used. But that does not mean it does not have a big impact.

While visitors generally enter Armenia via Zvartnots International Airport, there are those who prefer the remoteness of Sisian. Ukrainian national Leonid Minin[448] was one. He was well-known in the somewhat sleepy town nearby. Surrounded by the Zangezur and Bargushat Mountains, and situated on the shores of the Vorotan River, Sisian is undoubtedly picturesque. If a little basic.

We opt to stay at the three-star Basen Hotel. The sleepy town gets its share of visitors, but every few weeks this particular hotel receives a handful of Americans, Uzbeks, Iranians and others.

Clearly not tourists, they are notable for their upmarket automobiles. Not many Hummer H3s in these parts.

They huddle on the hotel's well-appointed terrace and quietly go about their business. Basen Hotel's manager, a welcoming lady from the town itself, named Hasmik Asatrian-Azoyan, tells us that they pay cash, remain polite and that, usually, after a plane lands at the airstrip they leave quickly.

The whole process repeats periodically.

Broadcast on international satellite channels, as almost everywhere else in the world, it is probably a popular programme among Armenian television audiences. Every week, viewers tune in to watch the escapades of the *Sons of Anarchy,* a tightly-knit club of outlaws whose main source of income comes from trafficking arms to criminal enterprises, domestically and internationally. Although the show has established a cult following and has won numerous awards, it highlights a dangerously relevant issue. The global arms trafficking industry is valued at over $60 billion.

Studies have shown that illicit arms trafficking fuels civil wars, leads to high crime rates, and – perhaps most disturbingly – supplies the arsenals of some of the Western world's most dangerous terrorist enemies.

Sons of Anarchy is undoubtedly good viewing. And indeed may fly close to home for an audience in Armenia and Nagorno-Karabakh. If one substitutes the denim and leather of an outlaw motorcycle club with the suits and ties of the

National Assemblies in Yerevan and Stepanakert, there may indeed be some interesting parallels.

Armenia's connection to the arms trade goes back a long way. Perhaps it was borne of necessity.

Britain, for example, has continued to impose an arms embargo on Yerevan, a ban on the export of 'arms and related material'[449] enforced in line with the United Nations, the European Union, or the Organisation for Security and Co-operation in Europe. This covers military ammunition, weapons and goods.

In July 2014, Whitehall refined its interpretation of the Arms Embargo as covering all goods and items on the nation's Military List where this equipment could be used in the Nagorno-Karabakh region, or on the land border between Azerbaijan and Armenia.

While Moscow has consistently stepped into the breach where other arms supplying nations have held back, due to Nagorno-Karabakh, the nation has become a hub for arms shipments.

There are three primary reasons for this: The Artsakh Defense Army needs weaponising, the needs of Armenia's own armed forces go beyond agreements made with the Moscow, and simply, money.

In 2005, for example, an arms sale led by one Artur Solomonyan, from Yerevan, was interrupted by United States law enforcement. Solomonyan and others were arrested amid a plot to smuggle Russian-made military weapons into the United States, including rocket-propelled grenades, shoulder-fired 'Stinger' missiles, Russian-made AK-47 assault rifles and mines.[450]

According to charges filed by the FBI, Solomonyan was selling 200 rocket-propelled grenades from Armenia, his stock having been bought from the Russian military in Chechnya and shipped to Armenia.

As proof he had the goods in his possession, Solomonyan showed an FBI informant pictures of those weapons, taken in Armenia where they were stored.

Solomonyan was also touting a supply of enriched uranium from his base in Yerevan, which he suggested to an informant could be used in the New York subway system, according to the complaint. His claim was not treated with much

seriousness by United States authorities, although in 2016 former Prime Minister Hrant Bagratyan announced that his country was in possession of relevant materials and told the media: "Nuclear weapons are already created in Armenia."[451]

Bagratyan's somewhat surprising comments nevertheless do have some interesting aspects to them in that the country has been tagged with dabbling in the weapons of the mass destruction business. In May 2002, the Department of State in Washington imposed sanctions against a company in Armenia for selling equipment and technology to Iran that would be useful in its programmes to develop weapons of mass destruction.[452]

Then-President Kocharyan rushed to end any contacts between the firm, Lysine, and Tehran's would-be bomb-makers.

Gun running has long been a lucrative local business. One well known name in the trade locally was Nagorno-Karabakh War veteran Jirayr Sefilyan, who imported weapons into the country and sold them on to the highest bidder. In Yerevan he won a reputation as many foreign groups' dealer of choice.[453]

His success changed his outlook, however, and he went from gun-runner to self-appointed freedom fighter in his own country, launching a short-lived opposition movement, *Sasna Tsrer*, which was implicated in a botched 2016 coup attempt in Yerevan.

Sentenced to ten years imprisonment, the myth of Sefilyan has only grown since then. As late as June 2018, an appeal hearing in Yerevan collapsed into chaos when Sefilyan, now self-styled leader of the Founding Parliament opposition movement, could not be brought before a court due to the police having difficulties with his supporters and the dangers handling him.

Another well-known name in the business is former Nagorno-Karabakh Defense Minister Samvel Babayan. While in office he developed a tidy sideline in arms shipments, using his position to ferry weapons, via Georgia, on to Iran and beyond.

As reported in *The Armenian Weekly*, the country's National Security Service said that it had "credible information" linking him to arms shipments, including

a shoulder-fired surface-to-air rocket system.[454] In March 2004, Babayan was imprisoned for launching an assassination attempt against Arkady Ghukasian,[455] then head of Nagorno-Karabakh, and served four years behind bars. Yet this failed to tame him. On November 28th, 2017, an Armenian court sentenced Babayan to six years in prison for weapons smuggling and money laundering.[456] The once-powerful general had denied claims that he promised to pay $50,000 on delivery of a portable surface-to-air missile to Armenia.

In June 2018 the National Security Service swooped on two well-known arms peddlers. During a series of dawn raids the Etchmiadzin home, business premises and warehouses belonging to Member of Parliament Manvel Grigoryan, a retired army general and former Deputy Defense Minister, were raided. Grigoryan was arrested as hundreds of AK-47s and a wealth of munitions were discovered.

The same day and also in Etchmiadzin, Artur Asatryan, also known as Don Pipo in organised crime circles, was also the subject of a National Security Service action and found to be in possession of a vast arsenal.[457]

Armenia's role in the business of illicit arms was also beginning to have international implications. In 2018, the European Observatory of Crimes and Security reported that Spanish Police had launched a major crackdown on "the Armenian Mafia", in Barcelona, Madrid, Valencia, Alicante and Albacete, who were connected to arms trafficking.[458]

The Armenian Weekly reported that Piotr Switalski, head of the European Union Delegation in Yerevan, has urged authorities to conduct "transparent" investigations.[459] *Radio Free Europe/Radio Liberty* also reported Switalski's comments.

"The arms business is not the vegetable trade. It always has a dark side that can lead to certain negative outcomes," says former Armenian Foreign Minister, Edward Nalbandian.[460]

He should take a trip to 39°32′49″N 046°03′25″ and see one of the illicit hubs of the industry. So, too, should United States National Security Advisor John Bolton. While visiting Yerevan on October 25th, 2018, Bolton's words cannot have been good listening to his audience in the country, especially when he stated that the Armenian-Iranian border is "going to be a significant issue."[461]

The hawkish Bolton called Tehran "...the world's central banker of

international terrorism..."[462] If this is true, then for its enthusiastic pursuit of the proceeds generated through arms trafficking, Yerevan represents one of its most significant branches.

SIXTEEN

THE PRINCE

On July 15th, 2009, a Caspian Airlines Tu-154 took off from Tehran en route for Yerevan. On board were 153 passengers and 15 crew. The flight was scheduled to take less than an hour.

Just 16 minutes after take-off, some 150 kilometres from the Iranian capital, the plane suffered a catastrophic mid-air failure.[463] Debris ploughed into farmland below, near the north-western city of Qazvin. The plane "disintegrated into pieces," said Colonel Masood Jafari Nasab, security commander in Qazvin on *CNN*.[464] "The aircraft all of a sudden fell out of the sky and exploded on impact, where you see the crater," a witness told *Press TV* from the crash site.[465]

Among the dead were eight members of Iran's national junior judo team,[466] a former Iranian MP and diplomats.[467] Several sources reported that there were officers of Iran's Revolutionary Guard on board the doomed airliner, but their names were not on the passenger manifest.

Iranian President Mahmoud Ahmadinejad expressed his sympathy to the deceased and their families.[468] Armenian President Serzh Sargsyan signed a decree declaring a Day of Mourning in Armenia.[469]

The leaders of both nations made the correct noises, but almost immediately investigations into the crash began to go awry. The aircraft's cockpit voice recorder and flight data recorder were found to be damaged.[470,471] Iranian officials initially blamed the crash on technical reasons. Then a bird strike.[472]

In the wake of the disaster, the site, near the village of Jannatabad, was cordoned off. Nothing unusual in that.

What was is that jurisdiction for this civilian 'accident' quickly transferred to the Revolutionary Guard Aerospace Force. Guardsmen secured the crash site.

The standard civilian response to civilian accidents was muted. Just enough to deal with International Civil Aviation Organisation requirements.

In Yerevan, Sargsyan ordered a probe.[473] This would run for more than five years and the full contents of the report would not be released. Instead, on December 23rd, 2014, a truncated chronology of events was published. This lack of transparency further muddied the waters.

There was an alternative version of events already circulating.[474] Italy's heavyweight *Corriere della Sera* newspaper broke the story of anomalies in the flight's cargo manifest.[475] The Tehran-Yerevan plane crash occurred, said *Corriere della Sera's* reporting team, due to an explosion caused by ammunitions that were being sent via Yerevan, and destined for Hezbollah in Lebanon.[476] In attempting to bypass United Nations sanctions, the Tehran-Yerevan-Beirut route had become significant.

Another publication was even more specific, stating that the disaster was: *...caused by an explosion in the baggage compartment of the aircraft... according to experts, the detonators were very small – weighing no more than two grams – but extremely powerful. They had been sent by the Revolution Guard.*[477]

The Flight 7908 affair became a talking point in Israel and caused considerable concern. Political columnist and former advisor to Tel Aviv's Minister of Internal Security, Alex Veksler, commented on the Israeli Russian-language channel *Israel Plus*: *Iran has decided to open a new route through Yerevan, in view of the improvement in relations between Syria and Armenia, as well as its high level of cooperation with Armenia... I do not think this is the first time Iran has carried weapons for the Hezbollah terrorist organisation through Armenia.*[478]

Veksler did not rule out the possibility that Iran may also supply weapons to Armenia and to forces in Nagorno-Karabakh, stating: "it is easy to do, and the Armenians will not give it up."[479]

The Caspian Airlines disaster was not an isolated incident of illicit smuggling by air. Tehran and the Revolutionary Guard have a long and undistinguished history in this regard.

Tehran has embarked upon a programme to build up Hezbollah's arsenal to a point where it is much more heavily armed than it was on the eve of its 2006 war against Israel.[480] Its proxy in Beirut would be strengthened through the transfer of know-how and technology,[481] and making another round of conflict between the terror group and Israel likelier. The Revolutionary Guards would use all available means to support the Lebanon-based group.

Iran has used a variety of airlines in order to smuggle weapons to Hezbollah, its terrorist allies in Beirut. In 2016, the United Nations Security Council heard evidence that "the Iranian Al-Quds Force packs weapons, ammunition and missile technology to Hezbollah in suitcases and puts them on Mahan Air flights"[482] heading for Beirut.

In 2018 *Fox News*, citing Western intelligence sources, reported on several Qeshm Fars Air flights from Tehran to Beirut, that took unusual flight routes, and were cited as having smuggled weapons into Lebanon. Fars Air Qeshm flight number QFZ-9950 departed Tehran International Airport on a Tuesday at 9:33am local time, and flew to an unknown destination, according to flight data. Later in the day, the Boeing 747 jet touched down in Syria's capital Damascus before continuing on to Beirut, arriving just past 2pm, according to the flight tracker software.[483]

The *Fox News* story also included comment from 'a regional intelligence source' that: *The Iranians are trying to come up with new ways and routes to smuggle weapons from Iran to its allies in the Middle East, testing and defying the West's abilities to track them down.*[484]

Tehran has also quietly smuggled illegal arms to Russia, via Syria, using airpower, in doing so violating United Nations Security Council resolution 2231. Resolution 2231 prohibits Iran from "the supply, sale, or transfer of arms or related material from Iran by their nationals or using their flag vessels or aircraft and whether or not originating in the territory of Iran" unless approved in advance by the United Nations Security Council.[485]

Germany's *Welt am Sonntag* and Israel's *Jerusalem Post* reported flights from

Iran landing at the Khmeimim Air Base – the most important Russian military installation in civil war-torn Syria – where military equipment was transferred to the port at Tartus and shipped to Novorossiysk, Russia's main port in the Black Sea.[486]

As far as the Tu-154 disaster is concerned, the axis behind it could, at the outset, seem strange. One side is the Islamic Republic of Iran, where in shops, offices, hotels and public buildings you are under a constant suspicious gaze from portraits of a glowering Ayatollah Ruhollah Khomeini. On the other is Armenia, which never misses an opportunity to play the Christianity card. And finally Shia Islamist political party and militant group Hezbollah, and its peevish secretary general, Hassan Nasrallah.

But then, money talks louder than conviction.

The illicit trade in small arms and light weapons occurs in all parts of the globe but is concentrated in areas afflicted by armed conflict, violence and organised crime, where the demand for banned weapons is often highest. Arms trafficking fuels civil wars and regional conflicts, stocks the arsenals of terrorists, drug cartels, and other armed groups; and contributes to violent crime and the proliferation of sensitive technology.

"In the past, arms control has tended to focus on nuclear weapons or on limiting major items of equipment – like tanks or artillery pieces. But over recent years governments have increasingly been looking at controlling the world's real killers – things like anti-personnel landmines that kill and maim tens of thousands every year," writes *BBC* defence correspondent Jonathan Marcus. "For all the fears about tanks, aircraft and high-tech weaponry – it is simple pistols, rifles and machine guns that fuel most conflicts around the world."[487]

The illegal weapons industry is opaque, amorphous and dynamic. It is also a global enterprise with illicit weapons across Africa, for example, coming from virtually every major arms-producing country in the world. The clandestine nature of this trade makes it almost impossible to trace throughout the supply chain. The use of Nagorno-Karabakh and the even more well documented role of Armenia has made them nodes within the trade.

The overlapping, secretive and transnational and transregional arms markets bouncing arms across the world, is feeding conflict. As Erin Cunningham notes on *Public Radio International*: *...arms are often gleaned from abandoned stockpiles, bought from corrupt security officials or trafficked from neighbouring countries... in addition to assault rifles, Soviet-made large-calibre machine guns, United States-manufactured Glock pistols, Chinese shotguns, anti-tank weapons and rocket-propelled grenade launchers are all feeding the frequent armed confrontations...*[488]

Author Patrick Radden Keefe set out the ideal conditions that allow illegal arms hubs to emerge, and this almost sounds like a description of the Nagorno-Karabakh-Armenia axis: state degradation, borderlands where sovereign boundaries converge, corruption, poverty with large informal economies, and extensive tribal or kinship networks.[489]

The resort to arms is as ancient as many of the grievances over which some conflicts are fought. Consequently, the rights of self-defence and self-determination are well established in international law, says the International Committee of the Red Cross in its study titled 'Arms availability and the situation of civilians in armed conflict'. *What is new is that a vast number of actors have increasingly easy access to highly lethal weaponry from assault rifles to rocket launchers, facilitated by the opening of borders, arms surpluses from the Cold War and the rapid expansion of free trade. What has changed is that such weapons are increasingly falling into the hands of all types of fighters, including children, unconstrained by the rules of international humanitarian law.*[490]

From governments and administrations, to criminal enterprises and individuals, anyone participating in the illegal arms industry, be it as a dealer directly, providing grey space for the industry to operate, or simply looking the other way, in return for payment, is complicit in the death and misery that the aforementioned groups have caused around the world.

The International Committee of the Red Cross notes that: *As international arms transfers, particularly of small arms, have become easier the promotion of respect for international humanitarian law has become vastly more difficult. The*

proliferation of weapons in the hands of new and often undisciplined actors has outpaced efforts to ensure compliance with basic rules of warfare. The result is appalling levels of wanton violence and a stream of horrific images which threaten to immunise the public and decision-makers to ongoing violations of humanitarian law.[491]

A few hundred miles from 39°32′49″N 046°03′25″, the Sisian airstrip in Armenia, there is another remote runway. It is one that sears into the very heart of Azerbaijanis.

The town of Khojaly is situated some 14 kilometres north-west of Stepanakert. On the night of February 26th, 1992, a massacre occurred.[492]

A quarter of a century later, Khojaly airstrip, now renamed Stepanakert Airport – along with other remote landing strips across Nagorno-Karabakh – is a staging post for the means for similar events, all over the world.

In Nagorno-Karabakh they do not like foreigners visiting Khojaly too much. Perhaps this is because of the ghoulish visitors who flock to the sites of other tragedies, like Beslan in the Russian Federation, or Srebrenica in Bosnia, for example. Or maybe it is because there is understandable consternation over whom may be taking a close look at the nearby airfield.

Baku certainly is. Azerbaijan's *Azernews* reported on a statement made by Azerbaijan's Defense Ministry in June 2018: *The radar stations of the Azerbaijan Air Defense Forces maintains constant control of the airspace of the country, including Khojaly airport, and monitors the movement of all air assets. Information about the routes of any flights is immediately and automatically transferred to the command post of the Air Force.*[493]

The same report published by the Azerbaijan Defense Ministry contained photos and videos of the airport showing a number of aircraft on the ground.

In Stepanakert, the population of the town know all about what goes on there and at other remote sites around the territory. Clandestine single-use airstrips pop up almost at will in remote parts of Nagorno-Karabakh – and indeed Armenia – and are virtually undetectable. Stepped-up interdiction efforts in Armenia – as mandated by the international community – has meant that the

aviation business has shifted across the border and into the disputed territory. Crude runways hidden deep in the mountains can pop up in a day, virtually within sight of isolated communities who are unaware of their existence until small aircraft begin landing.

This allows Nagorno-Karabakh and Armenia to possess a great deal of appeal as an air bridge for international criminal organisations. This, coupled with official reluctance to engage with efforts against such activities, make it ideal.

Armenia has always had its ties into the industry, and indeed the illegal arms industry has been led by some larger-than-life Armenian personalities. Sarkis Soghanalian is perhaps the most famous of all. Another big name is Viktor Bout.

One account of Bout, the world's most notorious weapons trafficker after the death of Soghanalian, tells of United States Drug Enforcement Administration efforts to snag him. This illustrates his familiarity with Armenia.

The New Yorker reports that the Drug Enforcement Administration had sought to lure Bout to Romania: *The DEA agents had chosen Romania because they knew that local authorities would let them tap phones. Bout, meanwhile, worked on getting a visa, but being tracked by the United States had dulled his adventurism. He told Smulian* (Andrew Smulian, a fellow arms dealer claimed to be British-Armenian) *that Romania was "not a very easy place for me," and suggested meeting in Montenegro, Moldova or Armenia.*[494]

The nations' *laissez-faire* approach, one that could even be described as welcoming, protective even, would attract 'businessmen' from across the globe. Their industry represents a parallel world of money, corruption, deceit and death. It operates according to its own rules, largely unscrutinised, bringing enormous benefits to the chosen few, and suffering an immiseration to millions.

Arthur Musayelyan, assistant general manager at the Park Hotel Artsakh, has a favourite customer, a deeply unlikable Bangladeshi businessman named Moosa Bin Shamsher.[495]

Bin Shamsher is particularly visible in Stepanakert, where Asians are somewhat rare. Not least those who dress like spivs. He has visited Nagorno-Karabakh several times.

For many years Bin Shamsher was a regular in many top Stepanakert hotels and, according to Musayelyan, is known as the biggest of big tippers. Staff at the Park Hotel Artsakh, and the business-oriented Europe Hotel Artsakh on Azatamartikneri Avenue, are united in their affection for the flamboyant tycoon.

In Stepanakert a crisp $50 bill, proffered to a bellboy or waitress, can go a long way to feeding a family for many days. It is no wonder, therefore, that the Bangladeshi is a highly prized customer.

Some of those hotel workers vying for his favours may not know that Bin Shamsher has made his fortune as a Merchant of Death, but several, including Musayelyan, refer to him by his preferred moniker, Prince Musa Bin Shamsher. Perhaps Prince of Death may be a better title.

The Vancouver Sun dubbed him the 'Man with the Golden Guns',[496] while *United News of India* says that he was 'once one of the ten richest men in the world.'[497]

Despite the hideous trail of misery his weapons have caused, strewn liberally in war zones across the world, the self-proclaimed prince is content to show off his ill-gotten gains to documentary film-makers and journalists. In 2018, he planted a fictional story in the media that named himself as the backchannel power broker who fixed a summit in Singapore between American President Trump and North Korean leader Kim Jong-un.[498] He is pretty shameless.

However, its arms deals have afforded him some status. The *Hindustan Times* says that Bin Shamsher is 'known to have a vast and shady network in many countries, including Saudi Arabia and Pakistan, as an alleged broker in defence purchases.'[499] Multiple publications estimate that he has a net worth of $12 billion, much of it stashed in Swiss bank accounts.[500,501]

Whatever his business in Nagorno-Karabakh, so omnipresent is the Bangladeshi and his entourage of flunkeys that, when they are in town, Musayelyan is always around to escort him when entering, or exiting, the Park Hotel Artsakh. Musayelyan comments that Bako Sahakyan is always courteous to the Bangladeshi and sends an official car to fetch Bin Shamsher when he has a meeting at Sahakyan's well-appointed offices.

So why is the billionaire Bangladeshi self-anointed prince a regular visitor to Stepanakert?

In Bin Shamsher's own words, published in the *Dhaka Tribune* in 2017 upon the death of Adnan Khashoggi, perhaps the world's most heinous arms dealer, Khashoggi was "...my dear, dear friend, business partner, and mentor..."[502]

Reports in another publication in his homeland: "...Shamsher's business, DATCO, deals in global weaponry, including tanks, fighter planes and ballistic missiles."[503] For good measure, the International Crimes Tribunal has received evidence against him in connection with alleged crimes against humanity.[504]

The nature of his business is clear.

Former minister Samvel Babayan was one of the first to come unstuck through his association with the corrosive Bin Shamsher. Considered a war hero, Babayan would come to prominence as Defence Minister between 1994 and 2000. During that period Babayan "became not only the military leader but the most powerful man in Karabakh overall, controlling its government and economy" according to one analysis.[505]

It was not just rumours that suggested links to Bin Shamsher. The pair have been seen together on the Bangladeshi's visits to the territory, including meetings at his hotel. Towards the end of his reign as Defence Minister, Babayan became brazen.

In 2018 United States National Security Advisor John Bolton commented that Russian arms supplies have hampered the settlement of the Nagorno-Karabakh conflict.[506] Sadly Bolton had already lost an ally in the process of demilitarisation. In Stepanakert, Babayan's former stellar reputation was dimmed by what locals say was his readiness to flog off Artsakh Defense Army armaments and munitions. One can only reach the conclusion that these were shipped to war zones abroad.

In 2017, Babayan was convicted of weapons smuggling and money laundering.[507]

State actors also had a hand in weaponising Nagorno-Karabakh and flooding the international arms market.

The Kremlin gets around international restrictions on providing support for the unrecognised Republic of Artsakh through its various loans to Armenia – headlined when Moscow granted Armenia a $200 million credit in 2015 to buy Russian weapons and modernise its armed forces, including missile launchers,

surface-to-air missile systems and ground-based radio reconnaissance technology – and in-kind donations.[508]

In turn, arms and munitions filter down from Armenia to Nagorno-Karabakh. The Artsakh Defense Army functions almost as an extension of the Armenian military, although the extent of the relationship is not fully understood. Armenia's government insists it has not deployed any military units in Nagorno-Karabakh and that separatist forces are independent.

Debate has raged as to the ethnic make-up of the Artsakh Defense Army. Is it a domestic force? Or does it include Armenians?

As *Radio Free Europe/Radio Liberty* reports: *Independent Western experts – including researchers for the British Defence Ministry, the International Crisis Group, and the British-based International Institute for Strategic Studies – cast doubt on those claims...*

In a 2008 research paper published by the Defence Academy of the United Kingdom, C.W. Blandy stated that "several battalions" of the Armenian Army were "deployed directly in the Karabakh zone on occupied Azerbaijani territory." ...more than half of the 20,000-strong Nagorno-Karabakh force comprised citizens of Armenia.[509]

Of course, the relationship is further strengthened through the leadership ties that bind Armenia and Nagorno-Karabakh. Kocharyan, a native of the territory, served as commander-in-chief of the Artsakh Defense Army, and went on to serve as Prime Minister and President in Yerevan.

Also hailing from Nagorno-Karabakh, Sargsyan played a key role in bringing together local paramilitary forces into a fledgling army.

Before Yerevan called them to service, Kocharyan and Sargsyan both oversaw the Artsakh Defense Army and affairs in the territory. The former's attitude toward state assets and the use of Armenia and Nagorno-Karabakh territory for questionable activities is best summarised by an article published by *NEWS.am* which was headlined 'How a person can have $4 billion in a country with annual budget of $2.5 billion?'[510]

On the latter, within weeks of losing his grip on power, *Eurasianet* reported on June 2018 on the speedy unravelling of his networks when it reported: *Six relatives of former President Serzh Sargsyan, as well as his bodyguard and a*

member of parliament from his Republican Party, have been charged with felonies by the National Security Service over the last month.[511]

What Bako Sahakyan is doing meeting with Bin Shamsher is another question. Since Babayan was caught raiding the armouries, there was some increased oversight over the armed forces in Armenia and Nagorno-Karabakh. Or it was claimed so.

Was the Bangladeshi securing safe passage through the territory for his business? It would seem likely.

Life has not been as easy in recent times for The Prince, or his colleague, Syrian 'businessman' Monzer al-Kassar. Equally for Lebanese-Armenian dealer Joe der Hovsepian, a well-known mover and shaker in Stepanakert circles.

The angst of the world's top arms traffickers has been due to continued and improved global oversight of the industry. Heightened requirements for arms export data, United Nations reports, plane tracking and weapon contracts tracking have all begun to create restrictions.

A host of non-profit organisations have sprung up, drawing further attention to the problem. The INTERPOL Illicit Arms Records and Tracing Management System[512] represents a further state-of-the art challenge.

Interviewed for the book *Shadow World: Inside the Global Arms Trade*, one prominent Armenian dealer had a lot to say on what he views as the challenges facing independent contractors such as himself. *"The advice and interaction with clients has gone because [they] buy direct from the factory now using the Internet," claims Joe der Hovsepian – an arms dealer who has been active in Yemen, amongst other places, for years – nostalgically. And, since 9/11, financial and other checks have become so much more stringent. As der Hovsepian again laments: "Business was much easier at the beginning. People would arrive with $5 million in cash. Now you have to fill in hundreds of forms to deposit or withdraw more than $15,000!"*[513]

If global arms traffickers can publicly lament the 'good-old-days', then what hope for the God-fearing, law-abiding rest of us?

During the course of the 20th century, the trade in arms made viable and fuelled

conflicts that cost the lives of 231 million people. The first decades of the 21st century have, if anything, been more violent.

Yet even in an era of greater global oversight and regulation, der Hovsepian can be thankful for his home and the ungoverned space that Yerevan has maintained to its east. Fragile states represent chaos, disorder, and underdevelopment, and their existence on the fringes of the modern world threatens the security of the developed world.

Yerevan's complicity in creating a situation where there exists a state that is not a state, and one that operates from outside the boundaries of the international community, is clear. It is enshrined in a variety of international decisions, perhaps most recently as evidenced by a European Court of Human Rights decision.

Chiragov v. Armenia was an international human rights case regarding the rights to property for Azerbaijani nationals in Nagorno-Karabakh.

The European Court of Human Rights (ECHR), having examined the evidence, confirmed in its judgement on the case that: *...the Republic of Armenia, through its military presence and the provision of military equipment and expertise, has been significantly involved in the Nagorno-Karabakh conflict from an early date...*

The Grand Chamber comprises a panel of 17 senior European judges, elected by the Parliamentary Assembly of the Council of Europe from lists of three candidates proposed by each state. The same *Chiragov v. Armenia* decision added that: *[t]his military support has been – and continues to be – decisive for the conquest of and continued control over the territories in issue... the evidence... convincingly shows that the armed forces of Armenia and the "NKR" are highly integrated.*

Created in 1959 on the basis of Article 19 of the European Convention on Human Rights, with all member states as contracting parties, the Grand Chamber's compelling decision added: *...the Republic of Armenia, from the early days of the Nagorno-Karabakh conflict, has had a significant and decisive influence over the "NKR", that the two entities are highly integrated in virtually all important matters and that this situation persists to this day... the "NKR" and*

its administration survives by virtue of the military, political, financial and other support given to it by Armenia which, consequently, exercises effective control over Nagorno-Karabakh and the surrounding territories, including the district of Lachin.[514]

By virtue of the weight of international decisions on this matter, and not least this latest European Court of Human Rights decision, it is clear that every illicit bullet, gun, mine and shell that passes through Nagorno-Karabakh, represents oxygen for a variety of wars and insurrections around the world, the direct responsibility of political oligarchs in both Yerevan and Stepanakert.

SEVENTEEN

A SUNNY PLACE FOR SHADY PEOPLE

Ashot Ghulyan is the first to appear. He hurries across the square, a few pensive looks around him as he goes. He was followed by a heavy-set woman, dressed in the style of Margaret Thatcher, who held her handbag tightly as she raced over the square, walking far too quickly for a lady in heels.

Next came the unmistakable figure of Arayik Harutyunyan, founder of the Free Motherland Party, largest grouping in the National Assembly. Harutyunyan had served as Prime Minister in the territory for a decade. In his first speech as Premier Minister he promised to revive the economy, bolster democracy and seek social justice, including a 'fight against the corruption, protectionism, clan system and social evil'.

Others followed them over the next hour, beating a well-trodden path to the nearest bank.

Money, politics and power are inextricably linked. Money scandals emerged early in United States history. In fact, Alexander Hamilton, the first Secretary of the Treasury, was accused repeatedly of abusing his power to enrich friends.[515] In more contemporary times, Britain had its cash-for-questions[516] and cash-for-honours[517] troubles, France the Bettencourt Affair that enveloped President Nicolas Sarkozy[518] and Germany had its scandalous President Christian Wulff.[519]

The world's leading nations have all had their political casualties from financial impropriety. It is not just the likes of Viktor Bout, Teodoro Obiang Nguema

Mbasogo and Silvio Berlusconi. Nor indeed only Robert Kocharyan or Serzh Sargsyan, although the latter pair's solecism may rank among the world's most pervasive when calculated according to national GDP, alongside the likes of Mohamed Suharto, Ferdinand Marcos and Zine Al-Abidine Ben Ali.

Across the nation, politicians have taken their lead from Kocharyan and Sargsyan.

My new friend, Mr. Aboutiounian, had told me to hang around in Stepanakert's Renaissance Square on most days, at about 3 in the afternoon.

It is starter's orders at 3 o'clock.

Some 50 yards stretch between the heavy wooden doors of the National Assembly across the steps that lead up to the headquarters of Artsakhbank. Ghulyan, the Margaret Thatcher lookalike and Harutyunyan are followed by Arpat Avanesyan, who chairs the legislature's Finance Committee.

Money is certainly on Avanesyan's mind on this particular day. As he scurries over the square he is holding in his hand an envelope stuffed full of it.

The Bahamas, Cayman Islands, Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, Marshall Islands, Nauru, Niue, Panama, Philippines, Russia, St. Kitts and Nevis and St. Vincent and the Grenadines. The list of 'non-cooperative' nations drawn up by the Financial Action Task Force, a body created in 1989 by the Group of Seven to fight money laundering, does not hold any great surprises.[520]

In 2000, governments decided to further pressure these criminal centres which transform corrupt money into legal assets, because the sheer volume of transactions by drug cartels, mafias and corrupt officials had grown to at least $600 billion a year.[521]

Despite the Group of Seven's best efforts, the figure has grown out of control since then. The United Nations Office on Drugs and Crime determined illicit funds generated by drug trafficking and organised crimes at 3.6% of global GDP in 2009, with 2.7% – some $1.6 trillion – being laundered.[522]

The phrase 'tax haven' often conjures up images of a leafy palm tree-studded island nation with an 'anything goes' attitude to accepting bank deposits – "sunny

places for shady people," as author Nicholas Shaxson calls them.[523] But these classical tax havens now have a lot of company – despite recent progress, there are still plenty of places all over the world where one can stash money without scrutiny.

In all the above-mentioned nations, governments have created an open legislative framework, with the lightest touch possible of oversight. The world's dubious bankers have done the rest, filling in the grey areas with a 'rats nest' of opaque mechanisms that allow the world's criminal detritus, from drugs traffickers to corrupt government officials, freedom to operate unhindered. An opacity of financial information has built 'secrecy jurisdictions', which often facilitate many more problems than just tax evasion.

The Financial Action Task Force and United Nations Office on Drugs and Crime have their hands full with established nations such as Lebanon, Philippines and Russia, even beyond the more outlying places of concern, such as St. Kitts and Nevis. Barely given oversight are the places that sit beyond the reach of legitimate law and order oversight, the likes of Abkhazia, Transnistria, Western Sahara and Somaliland.

The banking system in Nagorno-Karabakh acts as an entity that is regulated by the Central Bank of Armenia.[524] Therefore, all financial transactions are subject to laws and regulations common to both Armenia and authorities in the breakaway region.

For its part, Yerevan, Stepanakert's political, economic and ideological Godfather, can hardly be considered a benevolent influence. Armenia ranked 95th out of 168 countries that were evaluated in Transparency International's 2015 Corruption Perceptions Index.[525] Its ranking has barely changed over the past half decade and Armenia was ranked negatively across the board, along with Moldova, Russia, Serbia, Lithuania, Ukraine and Bosnia and Herzegovina.

In 2016, a panel of Council of Europe experts identified significant weaknesses in the investigation and prosecution of money laundering in Armenia and urged immediate action to ensure that law enforcement efforts were significantly improved. They weren't.

MONEYVAL – the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism – provided a disastrous progress report on the almost non-existent efforts by Yerevan to address international standards on money laundering and terrorist financing,[526] reported elsewhere in this chapter.

Transparency International noted in its 'Anti-Corruption Helpdesk' report of 2013: *Entrenched corruption, strong patronage networks, a lack of clear separation between private enterprise and public office, as well as the overlap between political and business elites render the implementation of anti-corruption efforts relatively inefficient. What is more, the governance deficiencies of Armenia are made worse by and, at the same time, feed a pervasive political apathy and cynicism on the part of citizens, who do not see an impactful role for themselves in the fight against corruption. A largely controlled media environment further aggravates this situation.*[527]

Armenia's abysmal status, a nation riddled with corruption and itself operating for the most part as a secret jurisdiction, hardly qualifies as an arbiter to oversee activities in a neighbouring breakaway region that already sits in a geopolitical grey area. Yerevan attempts to provide the same veneer of respectable oversight to its illegal satellite as the aforementioned government highlighted by the Group of Seven.

In reality, however, this papers over a shrieking reality – in a world of financial grey areas, Nagorno-Karabakh could have almost been constructed to serve this purpose.

Stepanakert's 'Minister of Industry' Hakob Ghahramanyan has stated that the administration there has no independent monetary policy[528] and views itself as governed by Armenian's financial policy and systems. Armenia's national currency, the Dram, is illegally used as national tender,[529] in what is legally part of another country, while the Central Bank of Armenia states that Nagorno-Karabakh is "part of the economic territory of Armenia, because the Dram is the legal tender there and in all banking institutions."[530]

Armenia's banks in Nagorno-Karabakh are licensed and supervised by the Central Bank of Armenia, according to Head of Financial Monitoring Centre of Central Bank of Armenia, Daniel Azatyan. All financial entities operating in

Nagorno-Karabakh, including branches of Armenian financial institutions, submit reports on their activities to the Central Bank.[531]

The Central Bank of Armenia stresses and asserts its fiscal 'ownership' of the territory.

With that in mind, this is worth examining.

As parliamentary Finance Committee head Arpat Avanesyan ploughs past me, he races up the few steps that lead into Artsakhbank and at the counter he already has his brown envelope open.

Brown envelopes are something of a cliché when it comes to fiscal chicanery. You would think it was such a prosaism that those involved would use another colour.

Regular as clockwork, Avanesyan and others emerge from the National Assembly bearing these brown envelopes. Employees in Artsakhbank know not to ask questions.

The conclusion one can reach is quite obvious.

Nagorno-Karabakh is territory that sits somewhat beyond the reach of international monitoring due to its political status, and a grey area armed with a banking system that works outside of international financial oversight due to that status. While Armenian banks operating in the territory do have constraints due to international controls, their activities in Nagorno-Karabakh remain decidedly off-the-grid.

As one American official, whose professional career has involved dealing with the ramifications of this system, commented to this author: "We are looking at a Liechtenstein on steroids.

"Banks, companies, trusts, or other financial actors are allowed to accept money from basically anywhere without reporting it to the authorities, or noting from where it originates, or from where it is controlled. Little information is required, as it comes with the tacit knowledge that somewhere along the line, someone in authority has to take a cut, for looking the other way, or as partners in the enterprise.

"Banks or other entities are not required to disclose it and there is no

mechanism to force them to do so. It makes the Cayman Islands look almost rigorous by comparison."

It is a warm October morning in Stepanakert as we leave our hotel and set out to test the system we have heard so much about. A swathe of Armenian banks have opened outposts here, among them Converse Bank, Ardshinbank, Armbusinessbank, Armeconombank, Araratbank, Unibank and Ameriabank.

We make for Artsakhbank.

Established in February 1996 and licensed by the Central Bank of Armenia, Artsakhbank has its headquarters in Yerevan[532] but has quickly fanned out across Nagorno-Karabakh. Artsakhbank is a member of SWIFT International and an affiliate member of Europay-Mastercard International payment system.[533] Both somewhat confer legitimacy.

The bank's major shareholder is the Armenia-registered Business Fund of Armenia (40.7%). Ethnic Armenians, Vartan Sirmakes (a Swiss passport holder) and Hrach Kaprielyan (an American passport holder), are both significantly involved.[534]

Sirmakes holds the overwhelming say over the business in addition to his personal stake. He also owns the Business Fund of Armenia. Kaprielyan serves as chairman of the bank's Executive Board and all members of the board are Armenian.

Several days later we would see the aforementioned succession of legislators pour across the square with their brown envelopes to the well-appointed premises of Artsakhbank. Bedecked in a smart green and grey corporate colour scheme, the bank has a professional edge. And indeed the company is slick in what it does.

We enter the bank and introduce ourselves to the somewhat abrupt teller.

We are Italian and British passport holders. Non-residents. On holiday in Nagorno-Karabakh. We have $100,000 cash. We wish to open an account.

Within a few seconds a second man appears on our side of the counter, smiling broadly and asking us to accompany him to a "VIP Club" located nearby on Vazgen Sargsyan Street, near the town's Chess Club.

It takes just a few minutes to get there, and no time at all to be ushered into an apparently unmarked office on the first floor where we were greeted by a gentleman who would unwittingly become our guide to the fiscal world in Stepanakert. Mr. Aboutiounian.

Around 50 years old, dressed in the smartest suit we would see during our time in the town, and well shaven, another unusual quirk in a town where one or two days stubble growth seems to be fashionable.

Mr. Aboutiounian explains that VIP foreign depositors such as ourselves can avail services away from the ordinary Artsakhbank retail operation. This is a strictly off-the-books operation, but one that allows our funds to be bounced from here to Yerevan, to Lebanon, and from there to another of the world's well-appointed financial havens. There is a suggestion that one of Yerevan's many casinos may be used as a convenient front for the funds.

It will take, he promises, just 72 hours. Our cash would land in an account of our choice anywhere in the world.

Our request to use Jersey, a tax haven located between England and France, as a final destination point for our funds is no problem at all.

Mr. Aboutiounian goes on to explain a little of his customer base; high net worth individuals, cash depositors. Foreigners and locals. Most pertinently of all, he promises a no-questions-asked policy and the use of multiple banks and jurisdictions, which will speedily clean our money and deliver it to HSBC in Jersey in a timely fashion.

Assisted by promises of regular business from my side, his tongue loosens. Alarmingly. He assures us that the administration in Stepanakert is part of the whole grey economy, which is when we learn about the regular 3pm cash scramble outside the National Assembly. He talks candidly about the Iranians, Georgians, Russians and Cypriots, all of whom he regularly entertains in his nondescript office.

The business of funnelling large sums of cash out of the territory, he says, is booming.

Over ensuing days we pay visits to various other banks in Stepanakert. Next to Converse Bank, a more Armenia-oriented establishment which has 34 branches, 14 in Yerevan, 19 across that country, and only one in Stepanakert.[535]

It is not as obvious a choice as Artsakhbank to support our particular needs, but the concierge at our hotel, with a $100 in his hand and a knowing wink when I explain our requirements, recommends we pay a visit. Helpfully both Converse Bank's branch, and its less-well-branded backroom office, are both located close to Vazgen Sargsyan Street, ironically named after the slain Armenian Prime Minister, whose murder in Parliament was tangled up in the muddy waters of Yerevan's political finance.

Elsewhere in Stepanakert we encounter more establishments willing to do business with a couple of likely looking foreigners bearing cash. Not one asked where this cash was from and took any more than a cursory look at the credentials of my companion and I.

It would be wrong to suggest that Mr. Aboutiounian at Artsakhbank and his fellow 'investment officers' elsewhere in Stepanakert are unique in the world. In fact they are surprisingly common. Despite lessons supposedly learned in the wake of the global economic meltdown, across the world's financial capitals, and empowered by an intransigent establishment, there continue to be central banks who shy away from tightening monetary regulation. Taking their lead from this, there are many global banks who seem prepared to cross the line.

In December 2017, Britain's *The Daily Telegraph* reported that: *United States regulators described it as the "sword of Damocles" hanging over HSBC. Britain's biggest lender had to pay a $1.9 billion (£1.4 billion) fine in 2012 for helping drug cartels launder money in Mexico and for contravening sanctions to do business with Iran. Alongside the payout, HSBC agreed a five-year deferred prosecution agreement with the United States Department of Justice under which it promised "to clean up its act".*[536]

Earlier in 2018 Singapore fined Standard Chartered entities $4.9 million for money laundering[537] while, Down Under, in 2018 the Commonwealth Bank of Australia paid the biggest corporate fine in the country's history for failings that allowed drug gangs to launder money.[538]

The likes of Deutsche Bank[539] and BNP Paribas[540] have also been hit by big penalties for similar offences. Over a nine-year period one branch of one bank –

Danske Bank in Estonia – took on thousands of suspicious customers, responsible for £180 billion of illicit transactions.[541]

Law enforcement, it seems, will always be one step behind criminal money-launderers, following cryptic transaction records and grasping at shadows rather than seeing where money is actually hidden. Of course, it does not help that some of the world's biggest banking names – let alone minnows operating out of Nagorno-Karabakh – are so eager to support global crime.

The United States Department of State says of money laundering that: *International recognition of, and action against, the threat posed by money laundering continue to increase. Money laundering poses international and national security threats through corruption of officials and legal systems, undermines free enterprise by crowding out the private sector, and threatens the financial stability of countries and the international free flow of capital...*

Transnational organised crime groups have long relied on criminal proceeds to fund and expand their operations, and were pioneers in using corporate structures to commingle funds to disguise their origin.[542]

In Nagorno-Karabakh, those transnational organised crime groups have found an easily manipulated banking system that is somewhat off-the-grid, with legislative oversight provided illegally by a second party nation, one that has its own issues.

In its 2015 report, MONEYVAL states of Yerevan that: *Armenia has a broadly sound legal and institutional framework to combat money laundering and financing of terrorism. Armenia's level of technical compliance is generally high with respect to a large majority of Financial Action Task Force recommendations.*[543]

The Council of Europe's MONEYVAL group had an assessment team in Yerevan between May 25th to June 6th, 2015, and were satisfied with some aspects. Yet in the Executive Summary of its report they noted: *There have never been any investigations, prosecutions and convictions... The level of foreign proceeds introduced into the Armenian financial system could not be determined with certainty, since little information was made available to the evaluation team.*

However, Suspicious Transaction Reporter information suggests that attempts to launder proceeds from cybercrime and other Information Computer Technology-related crime committed outside Armenia are not uncommon... Armenia should not limit its assessment of the Money Laundering threat to the analysis of convictions. Instead, consideration should be given to the magnitude and significance of the overall criminal activity faced by Armenia, be it domestic or foreign.[544]

MONEYVAL's experts spent less than two weeks on the ground in Yerevan in which to ascertain the nation's ability, or even willingness, to meet the corrosive challenges presented by money laundering. Their report provided a mixed bag.

Debate on Armenia's weak compliance continued within the Council of Europe and in January 2016, Turkey's *Hürriyet Daily News* went on to report that: *The Council of Europe has urged Armenia to develop an effective national policy to investigate and prosecute money laundering in the country, as its experts have identified significant weaknesses in this area. The experts put forth significant weaknesses in the investigation and prosecution of money laundering in Armenia and have urged the authorities to take immediate action to ensure that law enforcement efforts are fully commensurate with the money laundering risks faced by the country...*[545]

According to those familiar with the situation, it can best be summarised as the nation possessing something of a legal framework to deal with money laundering, but there being no political desire to assert that law in any more than a cursory fashion.

Given that the biggest generators of cash and assets in Armenia are the nation's two big political beasts, former Presidents Robert Kocharyan and Serzh Sargsyan, each billionaires, it is perhaps no surprise. Neither is their desire to hide their activities. In 2009, then United States Ambassador in Yerevan, Marie L. Yovanovitch reported to the Department of State in 'The Business of politics: Leading enterprises of the political elites'. When released publicly by Julian Assange and his *WikiLeaks* organisation, embarrassingly Yovanovitch's words read: *The murky ownership of Armenia's major industry clusters is a hidden driver of Armenian politics and elites' inter-relationships... Broadly speaking,*

almost all the most lucrative sectors and enterprises are divided into one of two major political/economic pyramids: one headed by President Serzh Sargsyan and the other by ex-President Robert Kocharyan.[546]

If Armenia has been considered a fiefdom by Kocharyan and Sargsyan, then Nagorno-Karabakh has served as little more than a province in their territory. It is this attitude that has given rise to the use of Stepanakert and its banking system as a pliable arm of their national enterprise.

Because of the status of the territory, MONEYVAL and other major global financial institutions and bodies are forced to remain away from Nagorno-Karabakh. They are prevented from dealing with Stepanakert via the Central Bank of Azerbaijan, under international law the competent authority. Neither can assessments be undertaken via the Central Bank of Armenia, as Yerevan exercises its controls over Nagorno-Karabakh illegally.

The banking sector in Nagorno-Karabakh falls through the cracks in international law and oversight. And that suits the most influential players in Yerevan and Stepanakert, along with those who operate under their purview.

As one banker who cooperated on this title states: "Nagorno-Karabakh represents a blank cheque. Not only a revenue generator in its own right. The territory provides Yerevan with the proverbial off-the-books set of accounts, a place where money can be stashed, and from where funds can be laundered abroad and trickle into private accounts in Switzerland, Panama and the like."

As part of its work across the continent, MONEYVAL can visit Armenia and do its assessment work. Not so Nagorno-Karabakh, a place where the Council of Europe cannot tread, an occupied territory legally belonging to another member state and therefore out of bounds.

Perhaps uniquely, Nagorno-Karabakh is a European financial haven that is all but beyond the reach of the United States Federal Reserve, the Bank of England, signatories to the Basel Committee on Banking Supervision, and others who would seek to bring the global banking system to heel.

As Ghulyan, Harutyunyan and Avanesyan can testify. It is, indeed, a sunny place for shady people.

EIGHTEEN

BANKING ON HEZBOLLAH

In October 2018, United States President Donald Trump finally did what his nation had been promising for years. He signed new and tougher sanctions targeting the Iranian-funded militant group and Lebanese political party known as Hezbollah, which is considered a terrorist organisation by the United States.

"Over the past year we have levied the highest sanctions ever imposed on Hezbollah... Just a few moments ago, I signed legislation imposing even more hard-hitting sanctions on Hezbollah to further starve them of their funds. And they are starving for them," said Trump,[547] during an event marking the 35th anniversary of a devastating terror attack on United States Marine barracks in Beirut, which killed 241 American and 58 French military personnel, as well as six civilians.[548]

The Hezbollah International Financing Prevention Amendments Act[549] ramped up reporting requirements and placed tighter financial and economic sanctions on the group. A White House spokesman commented that the legislation, "will further isolate Hezbollah from the international financial system and reduce its funding" and "target foreign persons and government agencies that knowingly assist or support" the group.[550]

For three decades, Hezbollah had maintained a singular focus as a Lebanese military group fighting Israel. It built a network of bunkers and tunnels near Lebanon's southern border,[551] trained thousands of committed fighters to battle

Israel's army and built up an arsenal of rockets capable of striking far across the Jewish state.[552]

For Lebanon, the group is a cancer. Hezbollah maintains an independent security apparatus, political organisation and social services network, where the group is often described as a 'state within the state'.[553]

In its infancy, the movement obtained critical financial support and training from Iran's Revolutionary Guard. But as the Middle East has changed, with conflicts – often having nothing to do with Israel – flaring up around the region, Hezbollah has morphed, too.

It has rapidly expanded its realm of operations. It has sent legions of fighters to Syria.[554] It has sent trainers to Iraq.[555] It has backed rebels in Yemen.[556] And it has helped organise a battalion of militants from Afghanistan that can fight almost anywhere.[557]

As a result, Hezbollah is not just a power unto itself, but is one of the most important instruments in the drive for regional supremacy by its sponsor: Iran. Hezbollah is involved in nearly every fight that matters to Tehran and, more significantly, has helped recruit, train and arm an array of new militant groups that are also advancing Iran's agenda.

Founded with Iranian guidance in the 1980s as a resistance force against the Israeli occupation of southern Lebanon,[558] Hezbollah became the prototype for the kind of militias Iran is now backing elsewhere around the region. Hezbollah has evolved into a virtual arm of Iran's Revolutionary Guard, providing the connective tissue for the growing network of powerful militias.

The United States Department of State first designated Hezbollah a Foreign Terrorist Organisation in October 1997,[559] and believes the group operates terrorist cells in Europe, Africa, Asia and Latin America.[560] Its activities at home include the assassination of Lebanese Prime Minister Rafic Hariri[561] and the aforementioned 1983 suicide attacks on United States facilities in Beirut.[562]

Over time the group's activities and reach have expanded to include, among others, the 1985 hijacking of Trans World Airlines flight 847,[563] 1992 car bombing of the Israeli Embassy in Buenos Aires,[564] 1994 bombing of a Jewish community

centre in Argentina,[565] 1996 Khobar Towers bombing in Saudi Arabia[566] and 2012 bombing of a bus carrying Israeli tourists in Bulgaria.[567]

In 2010, the Obama administration described Hezbollah as 'the most technically capable terrorist group in the world'.[568]

"It is our pride that the Great Satan (the United States) and the head of despotism, corruption and arrogance in modern times considers us as an enemy that should be in the terrorism list," said Hassan Nasrallah, secretary general of the group.[569]

Hezbollah is a bastard child of the Iranian Revolution, in the context of Tehran's clericalism and their attempt to export the revolution. Former Iranian ambassador to Syria, Mohammad Hassan Akhtari, stated: "Hezbollah, Hamas, and the (Islamic) Jihad are the legitimate sons of the Iranian revolution".[570]

Western diplomats and Lebanese analysts estimated Iran's annual financial support of Hezbollah sat between $60 and $100 million[571] by the millennium. Yet this rose markedly in successive years and jumped to approximately a quarter of a billion dollars at the time of the 2006 Israel-Hezbollah War.[572]

In January 2008, Waleed Fares, director of the Project of the Future of Terrorism of the Foundation for Defense of Democracies, stated that Iranian support to Hezbollah had risen to around $1 billion a year.[573] Numerous reports show that Iranian financial support of Hezbollah reached upwards of $800 million[574,575] between 2012 and 2016, as a result of the involvement of Hezbollah in Syria's civil war, coupled with a tightening of the alliance between Tehran and the group.

Neither has the 'Party of God' done itself any harm in its business dealings, nefarious or otherwise. Its commercial activities in Lebanon thrive, including land dealings and a wide property portfolio. Hezbollah's investments extend to Tehran, Damascus and points in between,[576] anywhere beyond the reach of potential United States and European law enforcement.

The Washington Institute for Near East Policy's Dr. Matthew Levitt told United States Senate Committee that Hezbollah engages in a "wide variety of criminal enterprises" worldwide in order to raise funds.[577]

Evidence abounds from across the world. From the Golden Triangle region of Southeast Asia[578] and its heroin production, to cocaine smuggling in Latin America,[579] and even marijuana plantations and hashish production in Lebanon's Bekaa Valley,[580] Nasrallah's religious piety does not extend too far when a fast buck is within reach.

The link between Nasrallah and Yerevan's leaders was forged on the anvil of Hezbollah's domestic emergence. Part of this has been an ongoing political cooperation between Hezbollah and the Armenian community. An example of this was reported in 2009 when *The New York Times* stated: *the main Armenian political bloc decided to support Hezbollah's alliance in the coming parliamentary elections in Lebanon against the pro-American parliamentary majority. Because of their role as a crucial swing vote, the Armenians could end up deciding who wins and who loses in what is often described as a proxy battle between Iran, Hezbollah's patron, and the West.*

That fact has brought new attention to the Armenians, a distinct and borderless ethnic group that is spread throughout the region much as the Jews once were. In Lebanon, they have their own schools, hospitals and newspapers. They speak their own language, with its own alphabet. Their main political party, Tashnaq, operates in 35 countries and has a secretive world committee that meets four times a year.[581]

Ethnic Armenian member of the Lebanese Parliament Hagop Pakradounian. told the *BBC* that: *"...it's Hezbollah that makes us feel safe."*[582]

There were also operational relationships in play. In a February 2005 report, The Washington Institute for Near East Policy noted that: *Syria and Lebanon host the greatest concentration of terrorist training camps, with Iran a close second. Camps for Hezbollah and the Popular Front for the Liberation of Palestine – General Command dot the Syrian and Lebanese landscapes, where Hezbollah and Iranian trainers have schooled a motley crew of Palestinian, Kurdish, Armenian and other recruits in a variety of terrorist and intelligence tactics.*[583]

The links that bound Hezbollah and Armenia were there, but it would be through a financial institution that served as a primary front for the 'Party of God' that they become really apparent.

Hezbollah was now a commercial enterprise. As it sought to manage the mounting flows of cash, legitimate or otherwise, generated through its growing multinational enterprises, the group had turned to the banking sector to provide support.

The Lebanese Canadian Bank had been established in 1960 as Banque des Activities Economiques SAL and operated as a subsidiary of the Royal Bank of Canada Middle East until 1988, when it became privately owned.[584] The rise of Lebanese Canadian began in the early 1990s and would continue until 2011, when it was struck by United States charges that it had become a financial kingpin for Hezbollah, supporting terrorism finance and money laundering, effectively serving as a finance department of the group.

According to a United States Treasury paper titled 'Background on LCB', published on February 10th, 2011, and carried on the Treasury's website, Lebanese Canadian's total assets were worth more than $5 billion.[585]

This was no small time enterprise. In May 2018, *The National* wrote of: *the now-defunct Lebanese Canadian Bank, what was once one of Beirut's major financial institutions folded and later forfeited $102 million in assets after it was blacklisted by United States authorities for its part in what the United States said was a vast Hezbollah money laundering network.*

The investigation offered a rare glimpse into a secretive network linking Colombian cocaine cartels, West African conflict diamonds and North American used car lots through which Hezbollah-linked Lebanese businessmen and worked around sanctions to bring assets from the underworld sources into legitimate global financial systems...

...nearly 200 accounts were involved in the money laundering scheme, at the centre of which was Hezbollah.[586]

The ties that bind Armenia and Lebanon are deep. Armenians have lived in the country for centuries and there are reported to be well over 200,000 Lebanese citizens of Armenian descent,[587] around 5% to 7% of the population, making it a thriving centre of Armenian culture. Lebanese-Armenians have six guaranteed seats in the 128-seat Lebanese Parliament,[588] while a stroll along Bourj Hammoud,

a suburb in east Beirut's Metn District, almost gives one the impression of being in Yerevan as it is so heavily populated by Armenians.

A modern familiarity between the two nations was sealed in 2000, when President Robert Kocharyan undertook a three-day state visit to Beirut. He was feted by President Emile Lahoud, Prime Minister Selim Hoss, House Speaker Nabih Berri and the Arab nation's political and business elite.[589]

Kocharyan described Beirut as the "capital of the Armenian expatriate community" and stated his belief that Lebanon was Armenia's gateway to the Arab world. Lahoud described his counterpart's visit "as the embodiment of Lebanon's strong ties with Armenia", as they signed a swathe of bilateral agreements.[590] Kocharyan was seeking to ferment newer and closer political and economic ties with Lebanon during his official visit for his nation.

Yet that would not be to say that some financial ties were not already in the ascendancy. This story leads back to the tale of the Lebanese Canadian Bank.

In Yerevan's Republic Square, the Presidential Palace and Prime Minister's Residence, not to mention Government House, stand at an intersection of bribery, kleptocracy and money laundering.

From the British Embassy, yards away from the Presidential Residence (and over the road from the famed Charlotte Cabaret), one former British diplomat told this writer that there was a "constant stream of black, high performance cars, disgorging a constant stream of serious looking men in smart black suits, wearing sharp black sunglasses. They weren't politicians, but one could recognise them as the city's 'businessmen', many drawn from the dark underbelly that was forming around that centre of power."

Indeed, business was good. The nation's commercial life had been divided up between various competing factions in order to render them pliable and guarantee acquiescence. The treasury was little more than a personal fiefdom of those holding power. Juicy government contracts had been channelled to friends and family of those connected to the very top.

Aside from the bounty that a small nation can provide, there was the not so inconsequential matter of Nagorno-Karabakh. The territory's gold mines and

other natural assets were disgorging their long-concealed treasure. Add into the mix the trade in illegal arms, drugs and human trafficking, all cash generating businesses, then one can see how this could be an issue.

The sums involved were proving a headache. The International Monetary Fund agrees and says: *Armenia appears to be more vulnerable to the "integration" stage of money laundering, because of the highly cash-based economy, the significant volume of remittances from abroad, the relevant level of proceed-generating crime...*[591]

As late as July 2018, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism – MONEYVAL – continued to send warning signals over Armenia. That month MONEYVAL issued its follow-up report on Armenia titled 'Anti-money laundering and counterterrorist financing measures'. This highlight's Yerevan's 'technical compliance deficiencies', 'insufficient consideration was given to certain threats and vulnerabilities' and 'money laundering threats and trends; latent criminality; shadow economy and cash circulation; as well as corruption... representatives of the private sector and a large number of authorities, including self-regulatory organisations, were involved.'[592]

There is a patchwork of laws around the world intended to stop dirty money from entering the banking system, but illicit funds are still able to flow freely and unimpeded through gaping legal loopholes. Stefanie Ostfeld, a policy advisor with Global Witness, notes: '...the extent to which this plundering is aided by lax and weakly-enforced money laundering laws in the West has too often escaped notice...'[593]

The easiest way to take advantage of these gaps is to move money quietly into friendly semi-legitimate banks, which then run a cleaning process through a network of offshore jurisdictions like Switzerland, Liechtenstein and Luxembourg, into anonymous shell companies, and then through investments fronted by trusted associates.

As Clive Scott, a legal advisor for the United Nations Office on Drugs and Crime complains of the investigative process: "Every time money is transferred,

it takes ten minutes. The funds are in another jurisdiction. Then it takes three to six months to complete a request for mutual legal assistance."

In Beirut, the authorities, and all those involved in the Lebanese Canadian debacle, are today understandably keen that this particular troubling chapter remains closed. So they may. At the height of the scandal, the might of Barack Obama's administration was unleashed upon them as Washington sought to claw at Hezbollah.

That sorry affair has, understandably, been swept under the carpet.

Lebanon marked 75 years of independence in November 2018, to a backdrop of economic problems and deepening political stalemate. More than six months since parliamentary elections, Prime Minister-designate Saad Al Hariri has stalled in his efforts to form a representative government – Hezbollah's demands for representation proving the biggest problem – something that is urgently needed in order to reform the budget and manage the country's huge debt burden.[594]

Balancing the needs of the country's most influential stakeholder, Hezbollah, and keeping a bombastic Nasrallah happy, while at the same time maintaining a tetchy status quo with the United States, is proving difficult.

Hezbollah's creeping influence has made Lebanon little more than its puppet state. No one wishes to antagonise anyone over any one of the numerous scandals that have dogged Lebanon over previous years, least of all the damaging Lebanese Canadian affair.

Our investigations into Yerevan's involvement in the Lebanese Canadian affair throws up one name repeatedly. Ayman Joumaa.

Credit Suisse's yearly report on *Global Wealth* states that Lebanon's wealth imbalance is among the worst in the world. Just 0.3% of Lebanese own 50% of Lebanon.[595] Sitting alongside Nasrallah and his irascible crew at Hezbollah, is a flagitious political class that has set out to accumulate all the most valuable parts of the economy under its control with all the zest of their counterparts in Yerevan.

Yet even *Global Wealth* cannot account for those who operate outside of the margins. Joumaa is one of those.[596]

Born in 1964 to decidedly working class parents, Joumaa had worked his way

out of the trap of his birth through sheer thuggery. He had several spurious acquittals for crimes such as murder, rape, racketeering and violence to his name before he even moved on to the big time.

With a Colombian dual citizenship secured, Joumaa built one of the most successful crime networks ever to grow out of Lebanon. In Beirut it included a hotel and a currency exchange business, both of which gave him scope to clean cash from a growing drugs empire.

His ties grew to include front companies in Colombia, Panama, Benin and the Republic of Congo. This author visited Pointe-Noire, a port city that dominates trade and commerce in the Republic of Congo.

The Societe Ellissa Group (SEG) was a thriving business at the time.[597] Yet no one in Congo knew why, or what the company did. SEG's logo, with its prominent sail, and high profile location of the company's offices in Pointe-Noire, suggested shipping.

What they were shipping was another matter altogether.

Joumaa and his network of front companies, his ability to stay ahead, and above, the law, and his contacts with some of the lushest drug growing and producing regions of the world would earn him the tag of 'Drug Kingpin'.[598]

Yet there was more to him than greasing the wheels of the world's drug markets.

He was also involved with two brothers in a thriving exchange company headquartered along Madame Curie Street in Beirut, along with a network that stretched between the Middle East, Africa and South America via his Ellissa Holdings, with a trail of corrupt officials hanging in between.

According to some published accounts, Joumaa's empire was generating some $200 million per month[599] at its zenith. In a February 2018 exposé, the Association of Certified Anti-Money Laundering Specialists referred to: *Ayman Joumaa, a Lebanese man accused in 2011 of laundering profits through exchange houses in Beirut and other locales in a scheme that generated roughly $200 million each month, and reportedly helped fund the militia.*

Joumaa also laundered more than $850 million in drug profits.[600]

Laundering this cash, in addition to paying a host of very senior Lebanese politicians and law enforcement officers, was why he came to be involved with Lebanese Canadian.

This was a post-September 11 where the global money laundering landscape had begun to change. The Wilson Center notes that: *...there has been a greater appreciation of how "following the money trail" directly contributes to the fight against terrorism, crime and corruption around the world. Money serves as the oxygen for any activity, licit or illicit; it is the critical enabler for any organisation, from international crime syndicates like the Mexican cartels to terrorist groups like the Fuerzas Armadas Revolucionarias de Colombia, Islamic State of Iraq and Syria, and Hezbollah.*[601]

Amid this new reality, traditional tax havens were seeing greater controls and oversight. The likes of Cayman Islands, Bahamas and Jersey were increasingly mindful that sheltering dirty money was bad for their image and position in the world. Times were moving on. A veneer of respectability was required.

For years, however, Joumaa, Hezbollah and Lebanese Canadian circumvented this new reality. The scope of their success can be gauged from the United States Treasury Department's dramatic February 10th, 2011 statement: *The United States Department of the Treasury today announced the identification of The Lebanese Canadian Bank SAL together with its subsidiaries (LCB) as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act (Section 311) for the bank's role in facilitating the money laundering activities of an international narcotics trafficking and money laundering network.*

This network moves illegal drugs from South America to Europe and the Middle East via West Africa and launders hundreds of millions of dollars monthly through accounts held at Lebanese Canadian Bank, as well as through trade-based money laundering involving consumer goods throughout the world...[602]

In September 2018, a former senior manager of Lebanese Canadian, who worked at branches on Elias Sarkis Avenue and Hazmieh Boulevard, spoke to this author on condition of anonymity, citing fears that it would make him a target of either Joumaa or, worse, Hezbollah.

He was one tier down from the senior officers who ran the Lebanese Canadian operation from the top. However, as a branch manager, he was heavily involved in the cash that was being smuggled into Lebanon.

He states: "How it took the United States so long to connect the dots continues to be a mystery. I worked as a branch manager, but it was clear what was happening. Crates of cash, in many currencies, were arriving at Port of Beirut and being spirited dockside to various branches and accompanied by handlers who were armed, and made it clear they were. Nothing was recorded electronically. It was all on paper. Off the books."

At the outset this had nothing at all to do with Armenia or Nagorno-Karabakh. This was simply a description of the operation that was now emerging at Lebanese Canadian.

So effective was this laundering operation that Joumaa and Lebanese Canadian were sucked into the lucrative business. Hezbollah, the Party of God, was only too happy to take their 3.25% commission. Says The Washington Institute*: Hezbollah operatives run one of the largest and most sophisticated global criminal operations in the world. In its 2013 Serious and Organised Crime Threat Assessment report, Europol identified several 'crime enablers'. These included 'logistical hotspots, diaspora communities, corruption, and the use of legal business structures, cross-border opportunities, identity theft, document forgery, and violence.' Hezbollah exploits all of these, not only in Europe, but worldwide.*[603]

This growing operation was about to spread to the Caucasus.

Sometime in 1999, a Panamanian national travelling on a passport that showed him named as Gassan Saief slipped through Zvartnots International Airport in Yerevan. Gassan Saief was in fact Akram Joumaa, an uncle and front man for Ayman Joumaa, whose list of crime activities pop up as far afield as Panama and Colombia, according to United States Government investigations into transnational criminality. The services that Akram's organisation could provide were well known and whose contacts in Yerevan were keen on a relationship that would link Stepanakert and Yerevan with Beirut.

"We knew Armenian Drams, of course. We had Armenian customers who changed money, banked it. There was crossover," says the same former branch manager, at this time looking after the Hazmieh Boulevard branch, which was a key node in the Lebanese Canadian clearing operation.

He estimates that it was in early 2000 that they began to see the appearance of consignments that were clearly from Armenia.

"Then suitcases packed with cash began to come. People arrived in our clearing room at the back of the branch, straight from the airport. As far as I know they were waved through the airport and there was no question of any of the couriers being stopped.

"One million dollars in drams was easily shifted in every shipment. Our job was simply to count, and then pass details on to head office. One of the Joumaa exchange companies we dealt with would collect the cash later."

By his estimates a courier arrived from Yerevan three or four times a week, carrying upwards of $1 million in currency. This generated some $30 million a month, which would flow into the Hezbollah-controlled Lebanese Canadian system.

In doing so this would net Nasrallah and his widely proscribed terrorist group Hezbollah close to $1 million a month in commissions.

What happened next is best portrayed through the words of the same United States Treasury Department report, which stated: *...through management complicity, failure of internal controls, and lack of application of prudent banking standards – has been used extensively by persons associated with an international drug trafficking and money laundering network to move hundreds of millions of dollars monthly in cash proceeds from illicit drug sales into the formal financial system.*

Lebanese Canadian Bank's involvement in money laundering is also attributable to a failure to adequately control transactions that are highly vulnerable to criminal exploitation, including cash deposits and cross-border wire transfers; inadequate due diligence on high-risk customers including exchange houses; and, in some cases, complicity in the laundering activity by

Lebanese Canadian Bank managers. At least one of the individuals involved in this global drug trafficking and money laundering network has worked directly with Lebanese Canadian Bank managers to conduct his transactions.

Several individuals involved in this global drug trafficking and money laundering network hold or utilise cash deposit accounts at Lebanese Canadian Bank to move hundreds of millions of dollars monthly in cash proceeds from illicit drug sales into the formal financial system. They have also coordinated the laundering of these funds through key foreign nodes of the network using Lebanese Canadian Bank accounts.

"The Lebanese Canadian Bank for years has participated in a sophisticated money laundering scheme involving used cars purchased in the United States and consumer goods overseas. Thanks to Drug Enforcement Administration-led operations, as well as today's Treasury action, we are exposing and disrupting this money laundering network and its connections to global drug trafficking and Hezbollah," said Drug Enforcement Administration Administrator Michele M. Leonhart.

Drug Kingpin Ayman Joumaa and his Lebanon-based drug trafficking and money laundering network, along with several other individuals, have used Lebanese Canadian Bank to launder narcotics proceeds – as much as $200 million per month – as part of this international money laundering network. In this criminal scheme, the proceeds are laundered through various methods, including bulk cash smuggling operations and use of several Lebanese exchange houses that utilise accounts at Lebanese Canadian Bank branches.

On January 26th, Treasury designated Joumaa along with nine individuals and 19 entities in his network as Specially Designated Narcotics Traffickers...[604]

Across the world there were understandable shockwaves. *The New York Times* reported in December 2011: *...its ledgers have been opened to reveal deeper secrets: a glimpse at the clandestine methods that Hezbollah – a terrorist organisation in American eyes that has evolved into Lebanon's pre-eminent military and political power – uses to finance its operations. The books offer evidence of an intricate global money laundering apparatus that, with the bank*

as its hub, appeared to let Hezbollah move huge sums of money into the legitimate financial system, despite sanctions aimed at cutting off its economic lifeblood. At the same time, the investigation that led the United States to the bank, the Lebanese Canadian Bank, provides new insights into the murky sources of Hezbollah's money...

One agent involved in the investigation compared Hezbollah to the Mafia, saying "They operate like the Gambinos on steroids."[605]

Lebanese Canadian would subsequently pay over $100 million in penalties to settle claims brought by United States authorities that it was involved in laundering drug money and funnelling funds to Hezbollah and other militant organisations.[606] Deloitte and Touche, the bank's main auditor from 1995, escaped reprimand despite a staggering and unbelievable failure in its mandated oversight.

Lebanese Canadian would be the most famous case to tie in Armenia and Lebanese crime interests since brothers Barkev and Jean Magharian were convicted for heading a $1.3 billion criminal scheme that would ultimately be called Switzerland's largest money laundering scandal and worst political scandal.[607]

The optics of the United States stepping in to topple a corrupt financial institution in Lebanon, worse even, a criminal front for a Washington-nemesis and Beirut-powerbroker, were awful.

Worse still, in utilising Lebanese Canadian, a profit centre for Hezbollah, individuals in Yerevan have contributed to what stands as a huge geopolitical problem in the 21st century. In September 2018, Brookings published "Another war in Lebanon?", which gave a troubling overview of the rise of Hezbollah, directly as a result of its support from Iran and its empire of illegal activities. The article spoke of contemporary issues, highlighting: *..."real potential" of a war between Israel and Hezbollah and that such a war could drag in Iran and other regional powers. Mara Karlin, a leading outside analyst, contends that*

war is "almost inevitable" and that the "real questions are how and where – not if – the impending conflagration will occur" ...

More than 10 years (after the 2006 war with Israel), *Hezbollah's military capabilities are even more formidable. It has over 100,000 rockets and missiles and can fire over 1,000 per day, targeting almost every major city in Israel. Hezbollah also manufactures weapons in Lebanon, producing drones and guided missiles, amongst other systems.*

In the past, Hezbollah rockets had crude guidance systems and mostly landed on Israeli fields or other unpopulated parts of the country. Now, however, Hezbollah has systems, like the Fateh-110, that use advanced guidance systems. If another conflict were to break out, Israel would face the potential loss of power plants, its airport, key political and cultural sites, and other grave threats. Israel's layered missile-defense and anti-rocket systems like Iron Dome and David's Sling will offer some protection, but they would be tested by the scale and scope of Hezbollah's arsenal.[608]

While international media coverage necessarily focused on Lebanese Canadian and Hezbollah, and the now ruined Ayman Joumaa, the scandal did raise further lines of enquiry. Although certainly not implicated in these particular events, there were other banking ties between Beirut and Yerevan. Byblos Bank had bought Armenia's International Trade Bank in September 2007. Byblos Bank's own website boasts that: *The newly acquired bank began operations under the name of Byblos Bank Armenia in 2008.*

Byblos Bank was the first Lebanese bank to operate in Armenia and provides both business and personal banking services. Byblos Bank Armenia capitalises on the need to serve the Armenian Diaspora, which is present in the United States, Europe, Lebanon, Syria, and other parts of the world.[609]

Byblos Bank, with its foot firmly planted in Yerevan, also has a function in supporting Hezbollah today. The Washington Institute for Near East Policy noted that: *In a macabre twist on the telethon format perfected by United States charities, Al-Manar, Hezbollah's official twenty-four-hour global television station, croons for cash during commercial breaks and informs viewers*

worldwide how to donate money to promote terrorism. Al-Manar has asked donors to make deposits into accounts in four Lebanese banks.[610]

Among those was Byblos Bank.

While Byblos Bank and Byblos Bank Armenia continue their activities until today, it is also worth noting that the ramifications from the Lebanese Canadian were never truly felt. The reasons behind why the Lebanese Canadian scandal was never fully explored were purely political.

In early 2018 Republicans in Congress criticised former President Barack Obama for allegedly stymieing his own Drug Enforcement Administration's investigation. Project Cassandra was targeting Hezbollah's drug-trafficking activities, but Obama killed the programme out of concern it would hamper United States efforts to negotiate the 2015 Iran nuclear deal.[611]

On October 15th, 2018, United States Attorney General Jeff Sessions officially designated Hezbollah as one of five groups considered to be the top transnational organised crime threats. This allowed President Trump to sign new and tougher sanctions against the organisation.[612]

If news of Hezbollah's illicit activities came as a surprise to some, they certainly did not among some who had dominated the corridors of power in Yerevan.

For them, Nasrallah and Hezbollah have been useful business partners.

NINETEEN

WHERE DID ALL THE GOLD GO?

Gold is an extremely scarce commodity. The amount of gold extracted over the past 6,000 years could fit into two Olympic-sized swimming pools.[613] Almost three quarters of all of the world's gold deposits have already been exhausted.[614] Due to increasing demand for jewellery, electronics and financial instruments the world now consumes more gold than ever before, leading to the production of 3,000 tonnes per year,[615] twice what was produced in 1970.

Diminishing supply and increasing demand, combined with criminal and armed groups' quest for new sources of illicit revenue, has contributed to a surge in legal and illegal extraction.

Due to instability in the global market place, the price of gold has risen to its highest historical levels. Between 2000 to 2010, the price increased over 300%[616] and has continued to rise.

In 1994 Armenia officially produced just 100 kilos of gold.[617] By 2016, this had risen to 3,140 kilos. Armenia's gold production data remains active in CEIC and is reported by the United States Geological Survey.[618] Since 2012, official production had ranged consistently between 3,000 and 4,000 kilos. This is dwarfed in production by the world's largest gold producer, China, which mined 463.7 tonnes in 2016.[619]

Yet that is not to say the sector is not highly lucrative. At least for some.

Corruption has become institutionalised at Armenia's Ministry of Energy Infrastructures and Natural Resources. It is almost impossible to obtain licences from the Ministry without making payments to certain officials, while the same officials are expected to provide preferential treatment to companies owned by the political elite, or with indirect connections to them.

This apparent conflict of interest, the ministry providing licenses to firms with direct or close family ties to the President and Prime Minister, has not been considered an issue since independence. The 2001 assassination of Gagik Poghosyan, then Special Advisor and head of the Prime Minister's Oversight Service, made sure of that.[620] Poghosyan at the time was conducting an investigation into the transparency of the mining industry in Armenia, and looking into its murky ownership, when he was murdered at his home with a grenade, a crime that was never fully investigated by the authorities.

As countries rich in natural resources develop their extractive industries, some invariably have come to face the problem of the resource curse.[621] Identified by social scientists as the phenomenon of poor economic performance and weak governance, this has confronted countries endowed with natural resources such as oil, gas, gold and minerals. Policymakers, academics and economists have been busy attempting to address the source of this phenomenon.

Poghosyan's crime was that he knew exactly what was going on.

In the case of mining in Armenia and Nagorno-Karabakh, loss of revenue contributes to the phenomenon of resource curse, which can be traced to two culprits: corruption and revenue leakage. The corruption was obvious and institutionalised through the Ministry of Energy Infrastructures and Natural Resources, parcelling out mining rights according to prevailing political mood and contacts.

What was just as invidious was the revenue leakage, inadequate legal instruments and enforcement mechanisms for tax collection, and the inexplicable fiscal arrangements for mineral exploration and exploitation.

For most mines in Armenia and Nagorno-Karabakh, a royalty is levied by the resource owner, in theory the state, for the extraction of minerals. Most royalty deals in Armenia and Nagorno-Karabakh are levied on an *ad valorem* basis, a

percentage of value. Across the world *ad valorem* royalties are by far the most common.

What is less common are the lax deals negotiated by the Ministry of Finance and Ministry of Energy Infrastructures and Natural Resources in Yerevan and the Ministry of Finance and Ministry of Nature Protection and Natural Resources in Stepanakert.

Ad valorem royalty rates generally fall in the range of anything up to 9%. In Armenia and Nagorno-Karabakh the rate can be as low as 4%. Even worse is the benchmark against which this percentage is calculated. Setting the royalty base against net smelter return is far lower than a royalty base set against value of metal contained in ore at the mine mouth, at international reference prices.[622]

Ad valorem at a low percentage, based upon net smelter return, has long been the industry standard for deals cast in Armenia and Nagorno-Karabakh.

Yerevan and Stepanakert have, along with the likes of Peru and South Africa, also maintained, on paper, a variable rate royalty system that is linked to the profitability of individual mining companies. Yet the opaque nature of company ownerships and structures, using a patchwork method of shell companies and legal jurisdictions, has rendered that system useless.

Those holding mining rights have been on to a winner from the start. The loser in this whole scenario has only been the state, through lower tax returns. Natural resources have continued to be depleted, while profits have been whisked abroad to foreign bank accounts controlled by leaders in Yerevan, their families and associates.

The system is not so much *ad valorem* as *laissez-faire.*

Even more corrupt, though, have been the reporting standards. The massaging of production figures – downwards – further reduces revenues to the state and increases profits for those who hold the mining rights.

In most cases, the Ministry of Energy Infrastructures and Natural Resources and Ministry of Finance in Yerevan, and Ministry of Nature Protection and Natural Resources in Stepanakert have been content to allow a system of self-reporting by mining companies.

This *laissez-faire* approach to reporting standards does come with its own inherent problems for those massaging their production figures however. So too does the illegal mining of gold and other natural resources in Nagorno-Karabakh.

In Roman times, beyond slave labour and loot, the display of war booty served a political purpose. Emperors and generals particularly enjoyed displaying war treasures to the people of Rome who would stand on either side of the Triumphal Avenue, applauding and admiring the victory of their army.

In this way, the Roman emperors propagated their power in order to win popular support.

In contemporary Armenia, the booty from the Nagorno-Karabakh issue, as far as the wider nation is concerned, has been a bitter one of international isolation, a gutted economy and a majority of people living close to, or under, the breadline.

By contrast to ordinary Armenians, the nation's modern emperors and generals have divided the spoils among them. Including the gold.

It is widely accepted by the general public in Armenia that its natural resources, including the lucrative gold mines, have found their way under the influence of Robert Kocharyan and Serzh Sargsyan, along with others at the centre of power.

Some, such as the well-known Zod mine – *detailed in Chapter Eleven of this edition* – is held by GeoProMining. This firm sits at the centre of a tangled web of international ownership through offshore companies, trusts and territories. Coupled with this light touch oversight, Zod, situated on the border between Armenia and Nagorno-Karabakh, and on Azerbaijani territory in legal terms, could be compared to the war booty of the Roman era.

Rome's emperors propagated their power in order to win popular support. Armenian leaders propagated their power with the singular focus of maintaining their grip over power, through their sheer omnipresence.

In May 1968, an official report addressed to the government of Azerbaijan and produced by respected Soviet geologist Arsen Tsaturov had outlined expansive deposits of gold, silver, copper, cobalt, chrome, lithium, beryllium, barite, pyrite, aluminium and more across Nagorno-Karabakh. This detailed an

estimated 1,250 tonnes of gold in Kelbajar, Lachin, Qubadli and Zangilan.[623]

Today, this would have a wholesale value of $54.2 billion and this does not account for the significant improvement in discovery and exploration techniques over the last 50 years. New gold deposits continue to be discovered in Nagorno-Karabakh until the present day, while existing mines are being continually expanded.

On January 10th, 2015, *The Economist* published an article titled 'African economic growth: The twilight of the resource curse?'[624]

The elites had their fill of wealth and it was time to look beyond, the article stated, to an era 'with better education systems, investment in infrastructure and sensible regulatory reforms, the continent could completely break the spell that has held it back so often in the past'.

Looking northwards from Africa, Armenia's own assets would be enough to transform the country if they were properly used.

As for Nagorno-Karabakh, its gold and other valuable deposits had potential to provide enough funding to transform itself into a land of prosperity. The natural wealth of the land could finance the security, schools, hospitals and infrastructure that are the foundations from which ordinary people can earn a decent living.

However, in both Armenia and Nagorno-Karabakh, it is generally accepted that any lucrative businesses, including mining operations, cannot operate without close contacts to the government, a sweetheart deal, or indeed without one of Yerevan's elite are co-opted into the ownership structure. The book *Fighting Environmental Crime in Europe and Beyond,* lists the likes of GeoProMining (Russia), Global Gold (United States), Lydian International (Britain), Cronimet (Germany) and FLSmidth (Denmark)[625] as foreign actors who have entered the turgid landscape of non-transparent mining in both Armenia and Nagorno-Karabakh.

Socio-economic gains from mining are highly concentrated, benefiting primarily foreign companies and Armenian politico-business attached to these projects.

Writing in his seminal study 'Environmental crime in Armenia: A case study

on mining', the University of Colorado's Christoph Stefes Denver, noted that: *The net beneficiaries of mining in Armenia are foreign companies, Armenian oligarchs and the few thousand people employed in the mining industry. The losers are the people who live in close proximity to the mines and smelters. Environmental pollution directly threatens the health of these people who live primarily in rural communities.*

Yet the toxic material released by Armenian mines travels beyond this, reaching people hundreds of kilometres away, through the air, water streams and the food chain.[626]

Some two decades before the war and occupation began in Nagorno-Karabakh, on December 14th 1962, the United Nations General Assembly adopted resolution 1803 (XVII) on the 'Permanent Sovereignty over Natural Resources'.[627] This resulted from the General Assembly's focus on, firstly, the promotion and financing of economic development in underdeveloped countries and, secondly, in connection with the right of peoples to self-determination in the draft international covenants on human rights.

Even setting aside the ownership of Nagorno-Karabakh's natural resources by the one million Internally Displaced Persons[628] driven out of the region and currently still awaiting the opportunity to return home, this is also about communities still in the territory, both those allowed to remain in the region, and those who were encouraged to settle there later.

If leaders in Stepanakert and Yerevan did indeed believe in their 'Republic of Artsakh' project, then rule of law would see the benefits of the region's vast gold deposits, and other natural resources, reach the people of the pseudo-nation they claim to represent.

Instead, the gold is spirited out of Nagorno-Karabakh.

There is no disputing the golden boys of Nagorno-Karabakh. That would be Kocharyan, Sargsyan and those deemed within their inner circles. Kocharyan has always been king of the pile since his rise to head the territory in December 1994. Kocharyan set about bringing national assets under his personal control.

Sargsyan also cut himself a profitable slice of Nagorno-Karabakh's vast mineral wealth.

Between them they divided the spoils.

According to the Journal of Diplomacy and International Relations, the territory's vast Zod mine, acknowledged as being under Kocharyan's control produced up to 13 tonnes of gold a year.[629] This would have a value of $563 million as of December 1st, 2018, market rates.

According to a 1985 report, prior to the collapse of the Soviet Union and before Kocharyan's enforced ownership, the mine's confirmed reserves were 170,479 tonnes of gold and 156,100 tonnes of silver.[630] At December 1st, 2018, market rates, these would have a value of $7.5 billion.

The even better news for Kocharyan was, if he could hang on to his mine post-Velvet Revolution, is that the Zod possesses even better geological prospects as its lower horizons are exploited. Production and profitability will only rise.

The gold mines that dotted many of the areas under his mandate were among his first glittering prizes. From head of the Nagorno-Karabakh Soviet's silk factory in the late 1980s, to his multibillion dollar fortune today, the rape of the territory's gold would underpin his rise.

Across Nagorno-Karabakh gold and other minerals are being exploited at an ever quicker pace. Mines at Tundurget in Zangilan[631] – operated by Gold Star CJSC and reportedly financed by Swiss-Armenian businessman Vartan Sirmakes – and Drmbon copper-gold mine[632] and Kashen[633] – the latter pair operated by Base Metals, part of the Vallex Group, whose chairman Valeri Mejlumyan was rewarded by former President Serzh Sargsyan with civil honours for 'Services Provided to the Homeland'[634] – continue to produce. Also being exploited are lucrative mines at Vejneli and Gizil Bulag, in Zangilan and Kalbajar respectively.

The Karabakh Connection – Kocharyan and Sargsyan – have ensured they profit from this bonanza, although transparency continues to be a serious problem. In December 2017, OBC Transeuropa, a think tank focused on South-East Europe, Turkey and the Caucasus posed its subscribers a simple question. 'Who owns Armenia's mines?'

Discussing the answer to that conundrum, OBC Transeuropa stated: *Despite the sector's economic importance, transparency of information regarding the owners of the mines is problematic, as the names of companies' shareholders are not publicly available. The companies' official websites also do not contain any*

ownership details. There is hope, however, that membership in the Extractive Industries Transparency Initiative could bring greater transparency.[635]

This situation is at odds with Armenia's international commitments. In 2017 the nation became a member of the Extractive Industries Transparency Initiative,[636] a global standard to promote the open and accountable management of natural resources. Extractive Industries Transparency Initiative membership includes more than 50 countries.

The Extractive Industries Transparency Initiative Standard requires information along the extractive industry value chain from the point of mining, to how the revenue makes its way through government and if it benefits the public. This includes how licenses and contracts are allocated and registered, who are the beneficial owners of those operations, what are the fiscal and legal arrangements, how much is produced, how much is paid, where are those revenues allocated, and what is the contribution to the economy, including employment. This standard assumes transparency as to shareholders.[637]

None of the above are practiced in Nagorno-Karabakh or Armenia.

Indeed, *Hetq Online* reported of the Kocharyan-related Zod mine that: *Years ago, Armenia's Control Chamber studied the legality of mine operations owned by GeoProMining Gold, and recommended that the government consider terminating the company's mining rights. The Chamber found numerous violations, but they were never sent to the prosecutor's office. The government, namely former Ministry of Energy and Natural Resources and Minister Armen Movsisyan, covered it all up.*[638]

What is even more difficult to square are official figures on gold production and exports itself. According to the report of the Armenian Customs Service, the nation exported 4,380.5 kilos of gold in 2017, a rise of 9.4% in the previous year. The customs value of exported gold in 2017 increased by 12.1% per annum – up to $147 million.[639] Domestic demand for gold in economically-challenged Armenia remains limited.

Given 'Journal of Diplomacy and International Relations' estimates of 13 tonnes of gold a year produced[640] – solely from the Zod mine and ignoring all

others – the equivalent of almost 12,000 kilos, then official figures of hardly 4,000 kilos being exported, leaves a major statistical hole.

The only way to understand this is that, under the watchful eye of the authorities, thousands of kilos of illegal gold must be leaving Armenia each year and sold onto international markets illicitly. Quite aside from this being illegal according to international law – both the rape of Nagorno-Karabakh and the domination of Armenian natural resources by a few individuals – in an era when ordinary people in Nagorno-Karabakh and Armenia are confronted with extreme poverty, this represents a humanitarian affront perpetrated by those who dominate the business.

An American advisor to this study, whose work in this area feeds into Langley and therefore, ultimately, to Washington's policymakers, states: "For all the brazen nationalism attached to the story of Nagorno-Karabakh and fed to the people of the nation, here you have it... the crux of the issue. They have taken their nation and their people to the dogs, and it is not about Greater Armenia, nor any other issue. It is nothing beyond personal enrichment. That is perhaps the tragedy here.

So where do these thousands of kilos of 'lost' gold go each year?

The answer would be almost as intriguing as what happened to the lost Inca gold of Atahualpa, if it was not pertinent to the suffering of so many people – the poverty stricken citizens of Armenia and Nagorno-Karabakh, and the nearly one million Internally Displaced Persons in Azerbaijan still waiting to return to their lands.

It is a story of circumventing legal structures, avoiding official reporting, dodging taxation and enriching those powerful and well-connected enough to pull off such a dramatic heist. And this contemporary question brings us neatly back to Hezbollah and Lebanese Canadian.

By early 2002 – three years on from Gassan Saief/Akram Joumaa visiting Yerevan and two years on from Kocharyan's much touted official visit to Beirut – the illicit commercial relationship between the two nations was set to become closer.

In the 1920s, a Lebanese businessman named Hammoud constructed a building on the eastern banks of Beirut River. In those days the area was mostly swamps and marshland. His two storey building hovered over the smaller homes below, populated mostly by Armenians.[641]

What Hammoud and his neighbours could not have known at the time was that the area they called home would become one of the most densely populated districts in the Middle East and a virtual Mecca for gold craftsmanship – Bourj Hammoud.

In contemporary times almost four fifths of businesses there are Armenian. Packed within 2.5 square kilometres, the Armenian-dominated gold business in Bourj Hammoud influences and shapes the industry across the Middle East. It gained global notoriety, perhaps most famously from 2001 when jeweller Mouawad collaborated with Victoria's Secret, and created the most expensive 'Fantasy Bras', made of precious stones and ranging from a price of $2 million to $12.5 million.

One wonders if models Tyra Banks, Gisele Bündchen, Heidi Klum and Kendall Jenner, *et al*, would be aware that the expensive underwear they were helping to peddle to the hyper rich included gold both illegally mined and tainted through the theft of the wealth of a nation.

Since gold mining is non-existent in Lebanon, a second look at trade figures confirms that Beirut mostly serves as a commercial transit point in the trade. It imports gold from Egypt, which is a smaller producer, from Switzerland, which is not on the list of the top 100 producing countries, and from several West African nations.[642]

Imports of non-monetary gold in 2016 reached nearly $1 billion, or about 5% of total imports. The size of the Lebanese gold market is estimated at $1 billion annually, officially, yet secrecy dominates as merchandise circulate through porous borders and traders do their utmost to avoid tax, supported by corrupt officials.

Due to endemic corruption throughout the industry, an accurate figure is difficult to ascertain, although it is widely believed that the true figure is estimated to be several billion dollars. Despite the opaque nature of the industry, government figures from as recently as 2015 indicate trade in 'pearls, precious stones and

metals' are the nation's second largest export segment, around 15% and almost $500 million.[643]

Almost a quarter of this was from the sale of gold ingots ($100 million), the biggest export markets for Lebanese gold being South Africa (44%), United Arab Emirates (25%), Switzerland (13%), Saudi Arabia (5%) and Hong Kong (3%).[644] The web of secrecy and inherent smuggling and tax avoidance that surrounds Lebanon's gem and jewellery industry and, not least, its deep Armenian roots and familiarity with the Mediterranean nation, made Lebanon the ideal solution to another of the issues facing a gold producing elite in Armenia.

Their issues were simple. Avoiding the tax and fees generated through the industry's *ad valorem* approach, and therefore the under-reporting of gold production. So endemic was this, that thousands of kilos of excess gold could not move through the Armenian market without arousing suspicion. Neither could gold mined in Nagorno-Karabakh, illegally according to international law, flow through legitimate channels.

These two streams of 'off-the-books' gold presented a certain difficulty.

In 2002, several officials from Yerevan went to Lebanon with Lebanese Canadian's Minet El-Hosn headquarters as their destination. They stayed at the almost-adjacent Phoenicia Inter-Continental Beirut.

We know of the visit because the same manager who was running the cash operation at Lebanese Canadian's Hazmieh Boulevard branch was included in several meetings. He understood from these that the Armenians there were representing business interests attached to Kocharyan.

A burgeoning mining empire was simply generating too much gold. Domestic Armenian gold production was, officially, only so large. The country's *laissez-faire* mining system was allowing significantly greater stocks to be accrued.

Then there was the Nagorno-Karabakh problem. Mines in Kelbajar, Lachin, Qubadli, Zangilan and other parts of the territory were throwing up increasing volumes.

Gold from Nagorno-Karabakh could be spirited from the territory. It could be smelted in Yerevan. But bringing the gold onto the international market in

volumes would create big questions. Attracting attention meant shining light into the dark corners of the Kocharyan empire.

Beirut, the informal gold systems of Bourj Hammoud, rampant corruption of the Lebanese system, and a proven, reliable Hezbollah and Lebanese Canadian axis, would bring Yerevan's robber-barons back to Joumaa's networks.

The solution would draw in the same aforementioned manager from the Hazmieh Boulevard branch, who had quietly got on with the cash business and won a reputation for reliability.

He would find himself switched to the Lebanese Canadian branch on Old Tripoli Road, which was, helpfully, in the heart of the gold district of Bourj Hammoud.

"Once a month I would receive a visitor from Armenia, accompanied by several heavies," says the now-retired manager.

Needless to say no official questions were asked, least of all at Rafic Hariri International Airport, where the Customs Department remains, until today, notoriously willing to overlook anything with sufficient inducement.

"It was quite easy really," he says of receiving monthly shipments of 30 to 40 one kilo gold cast bars.

One kilo ingot would arrive with no serial number or identifying stamp, preventing tracing. There are only a handful of refiners in Lebanon, and they are not registered with the London Bullion Metal Association, which lists bars and refineries that are acceptable in London and in other markets.[645]

This illicit gold would be melted and reconstituted, illegally stamped with the name of Association-recognised refiners such as Valcambi, Metalor, Rand and others. This would confirm its value.

Then these, apparently, legitimate bars would be drip fed into local and international markets. Transferred from country to country, via the Joumaa network, this would decentralise stocks and allow them to slide quietly into the stocks of recognised gold dealers.

The shocking part of this scheme is that, while it sounds extraordinary, it is no more than a norm for an industry that is, even today, mired in wrongdoing.

One typical example comes in the report 'Glittering in the Shadows: An analytical view of the Lebanese gold trade', released on May 26th, 2017, by Geneva-based Global Initiative Against Transnational Organised Crime: *...Investigating gold as an important element of the Lebanese economy may thus be a fool's errand, and any assumption that the high value of our gold exports translates into substantial contributions to our GDP would be misguided. The lure of gold nonetheless is not to be underestimated in the context of our economy. There are many questions about possible links between the gold trade – here as in many other countries – and concerns over organised crime...*[646]

The same report offers a contemptuous example of the Lebanon gold connection, one which more recently offers insight into a *modus operandi* that reflected the plunder of gold from Nagorno-Karabakh: *In 2016, 41% of gold imports came from the West African countries of Togo, Ghana, Benin, Guinea, Mali and Burkina Faso. When asked why gold transits through Lebanon rather than being exported directly to refineries in countries like Switzerland or South Africa, professionals are vague in their answers... practices are engineered to obfuscate where gold originates... Another reason why West African gold transits first through Lebanon before being re-exported is that it becomes harder to trace... professionals are avoiding regulations by using Lebanon as a transit point...*[647]

Pinning a value on the lost gold from Nagorno-Karabakh and Armenia during this era is a difficult task given the time that has passed, a lack of records and a fluctuating gold price. As for the latter, by 2001-2002, during a period when shipments began from Yerevan, the gold bull had woken and launched into a decade-long uptrend cycle, which peaked just above the $1,900 per ounce mark in September 2011, but now holding well above $1,000 due to the global economic downturn.[648]

For the sake of being conservative, and allowing for commissions, bribes and costs incurred, for the purpose of these calculations we will stick to a conservative $1,000 per ounce. This would give a single one kilo bar a commercial value of $35,000. A monthly average of 35 bars finding their way to Beirut, a value of $1.25 million. This would generate a minimum of $15 million a year.

When converted to cash, the Hezbollah-controlled Lebanese Canadian system would launder the money. From a 3.25% commission, this would earn Hezbollah up to $500,000 in fees.

Only in February 2011 did decisive actions by the United States Treasury, bring Lebanese Canadian's illegal activities to an end.[649]

Was it a coincidence that, with the interruption of the Lebanese Canadian scam and the United States Treasury turning its spotlight onto Ayman Joumaa's illicit activities, this period would see Lebanon's Customs Department report that the country's 'Pearls, Precious Stones and Metal Exports, excluding Gold Ingots' dropped markedly. In 2011, this stood at $323.5 million. This figure would crash across ensuing years to reach a disastrous $175.79 million in 2014.[650]

This represented a 46% drop and was no coincidence. What is more, these figures represented just the white economy and nothing of grey and black trading, of which Nagorno-Karabakh's gold was a significant part.

Since the demise of Lebanese Canadian, the rape of Nagorno-Karabakh's gold and minerals has not ceased. Indeed, it has sped up through the opening of new mines and investment in production at existing facilities.

Which leads back to the aforementioned question. So where do these thousands of kilos of 'lost' gold go each year?

The world's most coveted precious metal – and arguably its least controlled mineral – far from Nagorno-Karabakh's fertile soil, gold may end up as jewellery or material in smart phones and high-tech medical devices. It may be melted into gold bars and stashed in the safety deposit box of an investor, or the vault of a central bank.

Nagorno-Karabakh's lost gold, as it circulates across the black economy, may also be used for illicit purposes, like moving a lot of money without using cash, skewing global financial systems, as a significant aid to terror organisations, or indeed to underpin militant groups seeking to create proto-states.

These thousands of kilos of the 'lost' and notoriously untraceable mineral represents a touchstone for crime, terror and conflict.

The irony is that the international community has acted before. It happened

since 2010 with the "3Ts" – tin, tantalum and tungsten, used in high-tech devices and electronics. A raft of international regulation and consumer pressure that ushered in an era of industry-wide due diligence. These minerals were largely deconflicted.[651]

The challenge is much bigger with gold. While blood diamonds are tracked from the mine to retailer with a unique diamond identification number, laser-inscribed on the diamond's girdle, gold is repeatedly melted and reconstituted. Yet that does not mean that tracing illicit gold is not possible. Scientists in several producing countries are refining a technique that produces a chemical 'gold fingerprint' by analysing chemical impurities.[652]

Soon it will be possible to discriminate between gold from individual mines, different regions and nations. Due diligence across the gold mining sector is coming.

Nagorno-Karabakh's 'lost' gold may not remain hidden forever.

In September 2018, United States President Donald Trump issued a statement congratulating the people of Armenia on the 27th anniversary of Independence. President Trump hailed a new era in Armenia. He stated that the United States was "ready to work with you to help to bring into life the will of your people to eradicate corruption, to establish a representative and accountable administration based on independent judiciary, political and economic competition", while noting the 100th anniversary of the first Armenian republic and centennial of Armenian-American friendship.[653]

These warm words from the White House were well-received in Yerevan. How ironic that this statement was issued just one month prior to President Trump signing into law the Hezbollah International Financing Prevention Amendments Act.[654] For more than a decade, a seamless flow of gold from mines in Nagorno-Karabakh, supplemented by under-the-table gold from mines in Armenia owned or controlled by Yerevan's ruling elite, generated a rich flow of commissions for the 'Party of God'. Combined with a burgeoning cash laundering business, Secretary-General Hassan Nasrallah has seen his finances supported by this association.

Molière wrote that ‘Gold makes the ugly beautiful.’

If true, then Nasrallah, Kocharyan, Sargsyan and their co-conspirators must be among the most handsome thieves in the world.

TWENTY

ELOI AND MORLOCKS

The Eloi, like the Carolingian kings, had decayed to a mere beautiful futility. They still possessed the earth on sufferance: since the Morlocks, subterranean for innumerable generations, had come at last to find the daylit surface intolerable.[655]

The science-fiction novels of H. G. Wells are undoubtedly more than fantasies located in imagined future worlds. Wells' first book in the genre, *The Time Machine*, is a critique of utopian ideas, set in the year 802701, in which the human race is divided into two groups, the subterranean workers, the Morlocks, and the decadent Eloi.

Considering a gelato to go with my coffee order, sitting in a well-appointed establishment on the fringes of Yerevan's Republic Square, I thought of Wells and his vision of a split humanity. It is impossible not to consider Wells' ideas, which play out amid everyday life here. The anointed few, the Eloi, and the majority of have-nots, the Morlocks, who toil to survive amid the economic malaise that dominates their nation.

Not surprisingly for a nation which has elected to lock itself, even before independence, into an illegal land grab in Nagorno-Karabakh, tiny Armenia has been subject to an ongoing economic chill from its bigger, wealthier and better endowed neighbours, Azerbaijan and Turkey, which dominate the economy of the region.[656]

As the Soviet Union unravelled in the late 1980s, politicians in Yerevan made

a calamitous choice, to revive their historic dream, to create a 'Greater Armenia'.[657] In the face of obvious and dramatic political and economic cost, their decision would have profound consequences for the minuscule nation and its people.

A quarter of a century has passed since that fateful decision. In the centre of the capital is the picturesque Republic Square, scene of many of the 2018 protests that upended attempts by long-time political master Serzh Sargsyan to 'do a Putin' and cling to power permanently through a flip-flop between Presidency and Premiership.[658]

A massive political shake-up, following weeks of mass demonstrations against corruption and cronyism, came to a delightful backdrop. Centred around Republic Square, it showed Armenia at its best on international newscasts, with the pink and yellow neoclassical architectural ensemble that includes Government House, Armenia's Natural History Museum and National Gallery, and the ministries of Foreign Affairs and Transport and Communications.

Also there is the Armenia Marriott Hotel, where many foreign journalists and camera crews lodged during the crisis, close to the action and ensconced well away from the reality of normal life in Armenia. With its swanky cars, the boulevards, some high-end branded shops and outdoor cafés that remind one of Paris, the façade of Republic Square, is exactly how Sargsyan and his predecessors would like to portray their nation to the rest of the world.

The real story, however, is something more of an eye opener. Within several hundred metres of Republic Square a different picture begins to emerge. Armenia's people have lapsed into a laconic acceptance of their fate, the crumbled pavements, rubbish-strewn streets and presence of an army of beggars and delinquent drug addicts. They are indicative of Armenia's plight.

Indeed, as we discovered, away from Yerevan itself, the situation is markedly worse, setting the stage for the wholesale recruitment of young girls from impoverished regions by the nation's sex barons.

An absence of effective institutions – a credible and independent judiciary, accountable police force, competent parliament and a responsible executive – has meant that, across a quarter century, the nation has struggled to transit to a more democratic and accountable system. Economic disarrangement and the

regional isolation that comes with Armenian's expansionism has had a clear result.

As the Foreign Policy Journal observed in October 2011: *Armenia's weak economy not only prevents development of the country, but it also creates demographic problems. According to Forbes's newest ranking, Armenia has the second worst economy after Madagascar. Such an economy decreases the population of the country because citizens often opt to leave the country in search of better life...*

It is important to mention that after independence in 1991, 1.1 million Armenians left their motherland to achieve a better quality of life... from the second worst economy in the world and with limited trade and investment opportunities...

The only solution for Armenia is the liberation of the internationally recognised Azerbaijani lands. Only after that can Armenia benefit from trade with Turkey and Azerbaijan. Armenia can also get a chance to participate in future projects in the region which would be beneficial for its economy and increase its importance in the region.[659]

According to the Asian Development Bank, in Armenia circa-2016, 29.4% of the population lived below the national poverty line[660] leaving the nation almost tied with Pakistan in global league tables, while The Borgen Project adds: *In 2010, when the head of the household was unemployed there was a 50% chance they lived below the poverty line. The reported unemployment rate in Armenia is 16%. The average job search is 20 months.*

Unemployment benefits in Armenia are minimal, so a large percentage of the unemployed do not register. The number of unemployed people in Armenia is estimated to be closer to 30%... There is low labour force participation in Armenia. Around 70% of women in Armenia are unemployed and only 55% of women who are of working age are active in the economy... over one quarter of Armenians live in poverty today.[661]

For decades, despite billions of remittances from diaspora and expatriate Armenians flowing into the country, huge financial support and subsidies from

Russia, the nation's leaders have failed to build any coherent forward motion in the economy. There have been gains on paper but, coming from such a woeful position, economists have in general taken a circumspect view. Successive governments have promised to provide an Asian-style 'Tiger Economy', but barely delivered a cat's purr.

Yet despite widespread poverty across the small nation, Republic Square still resonates to the sounds of the multi-cylinder engines of the latest luxury cars.

In summer the coffee shops are frequented by gents sporting brand name sunglasses and tight fitting black t-shirts. They are accompanied mostly by blonde kittens clutching high-end handbags, and wearing often quite alarming lip augmentations. Armenia's gauche upwardly mobile set likes to flaunt wealth.

Not even the somewhat debatable source of the funds for their flashy cars and iPhone Xs brings them shame. Neither does the bedraggled state of those beyond the perimeters of the café in which they sit, strangely oblivious.

One thinks of the social commentary provided by *The Time Machine*, and a society where the pretty elite, the Eloi, are also portrayed as lazy and idiotic, living a life of ease. This contrasts with the Morlocks, a particularly low-class underground species.

In *The Time Machine*, the Morlocks emerge above ground, of course, to eat their Eloi cousins. In contemporary Armenia, however, this is prevented by Yerevan's notoriously feisty police, posted prominently around Republic Square, in order to ensure the nation's Eloi are not interfered with.

The Morlocks did somewhat surprisingly get their way in April 2018, of course, when then President-Prime Minister and leader of the Eloi establishment, Serzh Sargsyan, tried to circumvent terms limits.

It remains to be seen if his successor, Nikol Pashinyan, is himself a man-of-the-people, a Morlock, which he attempts to portray.

Certainly when we visited, however, Yerevan's Eloi elite remain in place, despite the brief uprising against the established order of society. After that brief interruption when they remained decidedly low-key, Wells' two societal groups were much in evidence.

Over a series of warm September afternoons, with my guide, head of a prominent non-governmental organisation, we begin our tour of Armenia's high society in Brioche Boulangerie, reputed to have the 'best croissants in Yerevan'. Over a pair of skinny lattes, she guides me around the room.

In one corner is the deputy head of the immigration department. His wife is nowhere to be seen. He giggles and flirts a little with a pretty young thing, before they head off. My associate explains that it is an open secret that he has a mistress or two 'stashed away' in high-end apartments dotted around the city.

The source of his apparent wealth, as his attractiveness to the opposite sex, remains something of a mystery.

Near the window, but less obvious perhaps, is Vladimir Gasparyan, sacked as head of the police service in May. Gasparyan adopts a more relaxed pose, in between jobs, or indeed, as it is explained, not needing to work anymore.

He is a multimillionaire and looks the part. Gasparyan was not subtle in his police role, accused of bludgeoning errant Morlocks when he saw it necessary. He brings the same lack of subtlety to his sartorial ensemble.

A little later in the week, again in Brioche Boulangerie, we see another one of the nation's most notorious characters.

Mihran Poghosyan[662] was a rising star, personally close to Serzh Sargsyan. When appointed, he was the youngest general in modern Armenian history and he seemed on the cusp of joining the elite. By 2016 he had risen to Major General of Justice, Armenia's Chief Compulsory Enforcement Officer. Still only 40 years old, tongues were wagging in Yerevan that Poghosyan was, perhaps, in the frame to one day replace his mentor as President.

How did it all go wrong? On the day we sat on a table adjacent to Poghosyan he had none of the almost arrogant look in his eye that we saw in official portraits of a few years earlier. I would not have recognised him. In a short space of time, the once youthful Chief Compulsory Enforcement Officer had aged a decade.

Armed with a degree in economics, Poghosyan mastered both the complexities of the offshore world and how to maximise the opportunities provided by his office.

His undoing would be the Panama Papers, an unprecedented leak of 11.5 million files from the database of the world's fourth biggest offshore law firm.

According to Mossack Fonseca data, Poghosyan was a shareholder of three companies registered in Panama. Building on these, media reports went on to detail his stunning self-enrichment, in almost excruciating detail.

His dream of even higher office over, Poghosyan's shoulders are now somewhat stooped. On this afternoon in Brioche Boulangerie, he sits quietly. Whereas once nearly everyone entering the café would have beaten a path to his table to pay their respects, he is noticeably left alone. His brand is now toxic.

On another day we visit Cafe La Boheme on Pushkin Street, sitting outdoors yet breathing in the eye-wateringly heavy scents of aftershaves and perfumes worn with some enthusiasm. Perhaps too much enthusiasm since it is just 11 in the morning. We are seated next to the winning table in this war of scented attrition. Four associates wafting their fragrances freely. Two of those, I am informed, are big noises in Customs and close allies of Vladimir Tamrazyan,[663] who heads the Western Customs House Department of Armenia's Tax Service.

Tamrazyan is not supping beverages in Cafe La Boheme on this particular morning, but is himself an interesting study in the rise of Armenia's Eloi.

Hetq Online, published by the Association of Investigative Journalists, notes of Tamrazyan and his spouse: *While Tamrazyan declared a mere AMD 7.093 million ($14,700) in income, all in the form of wages, his cash holdings amounted to a whopping AMD 403.2 million, $750,000, and €800,000. Tamrazyan was appointed head of the Western Customs House Department last year. Vladimir's wife, Rebeka Abrahamyan (daughter of former Armenian Prime Minister Hovik Abrahamyan) also has deep pockets. While Rebeka declared no revenue in 2017, she declared cash assets of AMD 700 million, $900,000, and €800,000. Taken together, the couple's cash holdings amount to $5.9 million.*[664]

While it would be unkind not to point out that the couple could indeed have quite legitimate sources of income and inheritances, that the Tamrazyans have acquired wealth equivalent to some 400 years of Vladimir's salary is, really, quite remarkable.

Tamrazyan is not to be seen on this particular day.

Amid clouds of aftershave and scent so pungent it drowns out the sweet smell

of my Turkish Coffee (renamed Armenian coffee here, Turkey is a taboo subject), I am treated to a translation of the conversation as it unfolds...

A trip to Barcelona... an expensive whore in Bahrain during F1 week... the frustration of waiting for a new Continental GT Speed Convertible...

Finally, conversation turns a little deeper and their voices drop an octave. The Eloi have business to attend to. It becomes a little hard for my friend and translator to pick out... but something is coming from Turkmenistan. This could obviously be a shipment of cotton fibre from Ashgabat, after all that is one of the Caspian nation's biggest export earners, although quite why the foursomes would need to gather, out of the office, to discuss a shipment of cotton, in hushed tones, is perhaps less apparent.

We move on to another Eloi hotspot, Meeting Point Cafe on Republic Square itself. During my visits to Yerevan this has proven to be Eloi central.

Part of the Armenia Marriott Hotel, this particular outlet has generous outdoor seating and is a particular favourite for the well-heeled. Almost within reach of the Morlocks, separated by little more than flower boxes, the elite sip up their coffee and flaunt their assiduously collected clothing brands and accessories.

On other tables in the Meeting Point Cafe, pointed out to me are various other elites. Intriguingly a senior aide to the new Prime Minister sits in deep conversation with a noted close associate of former political strongman Serzh Sargsyan.

Power has not so much transferred following the bloody 2018 people's revolution, as morphed and continued unabated.

Elsewhere, enjoying the sunshine and the company of their fellow Eloi, my companion points out a smattering of deputy ministers and civil service mandarins. Along with the business elite. Indeed, it is the cross-pollination between politics and business that has turned Armenia into a kleptocracy.

Among them we spot Sargsyan's son-in-law, Mikhail Minasian, whose face and name front business interests that American officials gauged may "simply be the public face of businesses de facto owned by Sargsyan".[665]

Also in evidence is another prominent Eloi, controversial businessman-cum-

parliamentarian Samvel Aleksanyan, whose commercial success was built upon being a bellwether in Yerevan. He maintained an inexplicable commercial hold over Armenia's flour, wheat, sugar and poultry imports, and built retail chains, by shifting allegiance from Kocharyan to Sargsyan, and then, in 2018, defecting from Sargsyan's Republican Party of Armenia when the political tide turned.[666]

WikiLeaks released the United States Department report '09YEREVAN798' which states that: *Sargsyan had a head start on Kocharyan when it came to gaining control of lucrative economic assets. Though both men are Karabakhis, Sargsyan came to Yerevan and took up the first of a string of powerful ministerial posts five years earlier than Kocharyan, who remained in Nagorno-Karabakh until 1998. In ten years as president, Kocharyan caught up to Sargsyan and it evolved to the point that most of the dominant business and economic sectors were in some way linked to one of the two of them.*[667]

In a 2009 cable to her bosses in Washington, sensationally released by *WikiLeaks,* former United States Ambassador Marie L. Yovanovitch had stated plainly that: *...Armenian politics is winner-take-all, and this very much applies not only to the political spoils, but very often to the leading business and economic spoils as well. This is one reason that Armenian politics have become so implacable...*[668]

Yovanovitch also answered the question of why, even during our visit to Yerevan in the immediate post-Sargsyan era, political figures and business leaders continued to circulate freely and, indeed, brazenly. The Ambassador stated that: *Business elites are thus deeply intertwined with political power, and vice versa, and each has an incentive to preserve the status quo... business leaders may have been canny enough not to burn bridges, instead cultivating civil relations across the political divide.*

...most Armenian business leaders are now actively seeking patronage "krisha" relationships in Moscow, as a hedge against local political risk, because they are uncertain how Armenian politics will unfold and they want additional leverage to protect themselves if the local climate turns against them. Some of these Russian "krishas" (is krisha a person or a relationship?) are oligarchs, while others are senior military or security service generals or other Kremlin insiders.[669]

It takes several days and several visits to the Meeting Point Cafe to catch sight of our biggest prize. If we were birdwatchers, perhaps our greatest achievement would be seeing a Spix's macaw. If we were stamp collectors, the ultimate achievement would be the Penny Blue. As Eloi watchers, sightings of Gagik Tsarukyan[670] represents perhaps the pinnacle.

A former world champion in arm-wrestling, Tsarukyan muscled his way up through his business associations with Robert Kocharyan. He shipped his allegiance to Serzh Sargsyan when it suited. Having made billions through his associations with both leaders, he did what any self respecting Armenian oligarch does, turns to politics and, if possible, leads a self-created party. During the Sargsyan era his Prosperous Armenia was an enthusiastic part of the ruling coalition.

With the emergence of Nikol Pashinyan, Tsarukyan aligned himself with his rising star and leading his Prosperous Armenia Party into new Parliamentary Elections on the coat-tails of his association with Pashinyan.

In December 2018, Tsarukyan went as far as turning on his erstwhile mentor, Kocharyan and declaring, as the ex-President faced mounting legal issues, that "There is a law, everyone is equal before it."[671]

Sipping on an expresso in the Meeting Point Cafe, Tsarukyan wears the self-satisfied gloat of a man who has guaranteed political-continuity for his many business enterprises.

While the Eloi have continued to sun themselves and the Morlocks have kept their appointed distance, the nation has slipped towards banana republic status.

United States and Denmark-based GAN Integrity highlights the worst cases of global maleficence. Its 'Armenia Corruption Report' is a litany of troubling reading, which only needs to be summarised in order to paint a broad picture: *Businesses operating or planning to invest in Armenia face high corruption risks. Progress has been made to fight pervasive corruption; however, the close relationship between oligarchs, and political and business circles raise concerns about cronyism and influence...*

The judiciary presents businesses with a high risk... Bribes and irregular

payments are often exchanged to obtain favourable court decisions. The system is not independent: it is subordinate to elites...

The police present business with a high risk of corruption. There are consistent problems with police misconduct that impairs law enforcement...

Public services present businesses with moderate risks. Bribes and irregular payments are often exchanged when applying for public utilities... Almost three in every ten companies expect to give gifts to officials to obtain a construction permit...

Companies face high risks of corruption within the tax administration... Armenia's customs administration holds a high risk of corruption. Transparency at the border is rated as low and irregular payments and bribes are widely exchanged when dealing with customs...

Bribes are widely exchanged to obtain contracts and licenses.[672]

Wells noted in chapter seven of his seminal novel that: *The Eloi, like the Carolingian Kings, had decayed to a mere beautiful futility. They still possessed the earth on sufferance: since the Morlocks, subterranean for innumerable generations, had come at last to find the daylit surface intolerable.*[673]

How a small segment of Armenian society had come to gather such wealth, and an exclusivity on power, is the story of a 'deep state', a nation created of an independent people, yet ultimately run just for the benefit of the few who rule them.

During my time criss-crossing Armenia and Nagorno-Karabakh, it had become clear that this is a story of populations mercilessly split into Eloi and Morlocks.

For the latter, the election of Pashinyan represents perhaps the most viable opportunity to break an economic death spiral that has clung to the nation like a cancer since Levon Ter-Petrosyan became head of state upon independence and enhanced after the corrosive Robert Kocharyan became President in February 1998.

The decline of civic institutions, Armenia's freezing out of global trade, and widening domestic inequality in income and wages, has guaranteed that most of the country's citizens have been excluded.

Since the end of World War Two, a broad consensus in support of global economic integration as a force for peace and prosperity has been a pillar of the international order. Since the fall of the Berlin Wall a generation ago, the power of markets in promoting economic progress has been universally recognised.

Across this brave new era, Armenia has failed to capitalise. Global living standards have risen faster than at any point in history. Material progress has coincided with even more rapid progress in combating hunger, empowering women, promoting literacy and extending life.

Every single day since 1990, there have been a global average of 108,000 fewer people in extreme poverty.

Beyond the narrow confines of Yerevan's Republic Square, where the Eloi sun themselves, this has not been reflected in Armenia. Political upheaval, poverty and an exodus of young people to Russia to find work have taken their toll on the former Soviet Republic.

In October 2017, Yerevan-based ARKA News Agency reported: *Approximately 45% of Armenia's population is on the verge of absolute poverty, Aharon Adibekyan, the head of Sociometer polling center, told a news conference today, timed with the World Day for Overcoming Extreme Poverty, marked October 17.*

"According to our data, 10% of them are destitute. When we evaluated a programme designed to help school students, it appeared that one of the reasons why children did not attend schools was that they did not have shoes and warm clothes. This way poverty affects the future generations," Adibekyan said.[674]

According to the Asian Development Bank, 29.4% of the population lived below the national poverty line in 2016,[675] while *Hetq Online* states that: *The poverty level in Armenia today remains higher than the rate registered in 2008, just before the global financial crisis. The country's official 2016 poverty level was 29.4%, of which 8% were very poor and 1.8% extremely poor. In 2016, and during the previous seven years, the poverty level exceeded that of 2008 by 1.8%... Economic growth in the country in 2016 was only 0.2%, not enough to make a dent in the poverty rate.*[676]

Dismal socio-economic statistics fly like confetti. Wells' feckless Eloi have no discernible leadership. In Stepanakert and Yerevan there certainly is. And they are responsible for this destitution.

TWENTY-ONE

WHO ELSE PROFITS?

Barack Obama's presidency would be largely dominated by the results of ethically-challenged bankers who drove the world into a global economic crisis. He noted that there needed to be a shift in ethics in business and that "everybody from CEOs to shareholders to investors are going to have to be asking themselves, not only whether 'Is this profitable?' and will it boost my bonus?, but 'Is it right?".[677] During the same period, Thomas Friedman wrote that "We don't just need a financial bailout; we need an ethical bailout. We need to re-establish the core balance between our markets, ethics, and regulations."[678]

The banks and motor companies, airlines and others, received their financial bailouts. So did global economies and we learned a new term "quantitative easing"[679] and the corporate world was, supposedly, rebooted. As stability returned, the financial world started to turn again. Things got back to normal. Almost.

Engineering an ethical bailout will take longer. Efforts would be made to draw the corporate world into line and to engender a greater sense of social responsibility. Today, corporate credentials run far beyond turnover, growth and profits. They extend deep into ethics, integrity, credibility, track record and corporate governance.

Increasingly, in addition to "what a company does," it is equally important to focus on "how it does it."

On March 24th, 2016, the United Nations General Assembly Human Rights Council adopted Resolution 31/36, which instructed the High Commissioner for Human Rights to prepare a "database" of "business enterprises that have directly and indirectly, enabled, facilitated and profited from the construction and growth of the settlements."[680]

The Human Rights Council was, it seemed, intent upon ratcheting up the pressure on Israel and its corporate allies. Corporate complicity was set to become an increasingly important issue, one which would target those who were active in supporting Israel's illegal activities in the West Bank and Gaza.

The inextricable link between settlements and negative human rights impacts was reaffirmed in the Human Rights Council's February 2018 update on its database, which stated: *...violations of human rights associated with the settlements are pervasive and devastating, reaching every facet of Palestinian life, owing to settlement development and infrastructure, Palestinians suffer from restrictions on freedom of religion, movement and education; their rights to land and water; access to livelihood and their right to an adequate standard of living; their rights to family life; and many other fundamental rights...*[681]

Today, 600,000 Jewish Israelis live in about 140 colonies[682] constructed on land belonging to another people, the Palestinians, either in the West Bank or east Jerusalem. These settlements are land theft, nothing more. Article 49 of the 1949 Geneva Convention remains explicit on this issue: 'The occupying power shall not deport or transfer parts of its own civilian population into the territory it occupies.'[683]

Israel pursues its expansion blatantly in the face of international law.

But hang on. The international community, via the United Nations General Assembly Human Rights Council, had decided it has the will to challenge the corporate complicity of those firms who will support Israel's efforts to annex occupied Palestinian territory. Good.

A noble cause.

What then about the some half a million people of the Sahrawi Arab Democratic Republic, which is partially Moroccan-occupied? And a thought for

Northern Cyprus? Is the United Nations prepared to do the same for Tibet? The Spratly Islands? Crimea?

The parallels are clear, but not the international response.

To date, the Human Rights Council's focus has been singular upon Israel and Palestine. The pursuit of international law and corporate maleficence in that regard is strangely monochromic.

Says the Jerusalem-based Kohelet Policy Forum: *Such an activity – making blacklists of private organisations – is absolutely unprecedented for the Human Rights Council. And the current "research" programme is focused on only one context: companies working in areas designated as being under Israeli civil jurisdiction in the West Bank under the Oslo Accords...*

The clear goal of the Council in producing such a list is to create negative reputational consequences for the listed companies, and ultimately to trigger sanctions against targeted companies through subsequent action by the Security Council or national governments.[684]

Global bodies have quite rightly harangued Israel for its activities, and the international corporates which support that nation. Yet at the same time almost nothing has been done to stop the same activities elsewhere in the world.

Kohelet Policy Forum is an Israeli non-profit think tank that aims to anchor the Jewish People's right to an independent sovereign state in law and state policy. When the aforementioned United Nations General Assembly Human Rights Council resolution was passed, Kohelet Policy Forum's response was not to defend Israel's occupation, but to go on the offensive and highlight the hypocrisy of the decision.

Kohelet Policy Forum's report, 'Who Else Profits', goes on to say: *The majority of the population in these territories now consists of settlers, fundamentally undermining the possibility of self-determination or a political solution. There are also settlers in Armenian-occupied Nagorno-Karabakh and the Occupied Ukrainian Territories. In all these cases, foreign companies, quite commonly European ones, actively support the settlement enterprise. These activities include extracting natural resources from the territories, providing infrastructure support to the occupying power, and in general, making the settlement enterprises more economically viable.*

The companies involved have a global profile and valuable brands, and they pride themselves on a respect for human rights. Moreover, many of these companies have significant links to governments of their home countries, often being partially owned or controlled by the state. If commercial support for settlement enterprises is a human rights issue, it implicates the leading executives around the world, and in many cases the home states that support them, the investors who fund them, and more.[685]

The Hague Regulations specify that a "territory is considered occupied when it is actually placed under the authority of the hostile army."[686] Occupying powers often dispute the status of the territory they occupy, undermining the ability to identify when the laws of occupation apply. However, in the case of Nagorno-Karabakh, international law is clear. United Nations Security Council resolutions 822, 853, 874 and 884 are unambiguous in this regard. The principle of territorial integrity underpins international law norms.[687]

There has been growing recognition that companies must respect human rights. The Bruges Declaration on the Use of Force gives rise to firm principles in this area[688] and perspective was institutionalised and codified when the United Nations Human Rights Council approved the United Nations Guiding Principles on Business and Human Rights in 2011.[689]

The Bruges Declaration dictated that an occupier can utilise the resources of an occupied territory only "to the extent necessary for the current administration of the territory and to meet the essential needs of the population."[690]

A growing awareness, and the codification of these principles, has led to a widening number of international decisions that support the Bruges Declaration and United Nations Guiding Principles on Business and Human Rights.

In Africa, for example, Uganda would find itself rebuked when it unlawfully allowed exploitation of natural resources during a partial occupation of the Democratic Republic of Congo.[691] In the Middle East, the pressure points between occupation and commerce are even better known. As early as 1977, United States State Department memorandum cited this principle to oppose Israel's use of Egyptian oilfields during its occupation of the Sinai Peninsula.[692]

Since that time controversy has reigned over Israeli use in the Occupied Territory.

The United States and Britain committed to abide by this principle following the occupation of Iraq in 2003. And these fundamentals have gained increasing traction.

One very visible example of this came in January 2018 when an Israeli-Palestinian news site reported that online real estate rental firm Airbnb was listing homes in Israeli settlements in the occupied West Bank. When this story was picked up by *The New York Times*[693] and *The Washington Post*,[694] Airbnb came under sustained pressure for trading in an area under military occupation.

Oslo-based pension fund Kommunal Landspensjonskasse Gjensidig was one of the first major corporates to take a firm stance on the issue, blacklisting ten companies trading in Moroccan-occupied Western Sahara and Israel-occupied Palestinian Territories.[695]

It is all about what the Diakonia International Humanitarian Law Resource Centre calls "The Unsettling Business of Settlement Business".

Maybe. Some corporates seem never to have got the memo. In Stepanakert we are confronted with several. One would expect Armenian banks and institutions to be very prominent. The territory has proven fertile for money laundering.

Prominent, particularly in Stepanakert, are Yerevan's banking brands, names like Araratbank[696] and Ameriabank.[697]

Another interesting name, perhaps, amid the rampant money laundering of the territory's financial market, is ArmSwissBank, owned by Armenian businessman Vartan Sirmakes.[698] While being privately owned, its tangled ownership structure has links into Holland and Luxembourg, that bastion of banking secrecy.

Co-founder and CEO of the Franck Muller Group,[699] Sirmakes descends from a family of Armenian jewellers and has proven to be one of the most active and well-connected Armenian businessmen in the territory. Indeed, Sirmakes would find himself be charged by INTERPOL[700] for his activities — and for his widening investment portfolio in Nagorno-Karabakh, one that includes caviar production and a gold mine.

Seemingly unconcerned by then-President Serzh Sarkisian's corruption-tainted leadership, Sirmakes was happy to enjoy close relations and accepted an appointment as a Consul General in Marseilles, France.[701]

The United Nations, as stated in General Assembly resolution 62/243, regards Nagorno-Karabakh and the surrounding region as Armenian-occupied territory.[702] This view is shared by the United States, [703] the European Court of Human Rights,[704] and the Organisation for Security and Co-operation in Europe Minsk Group, which reports on what it calls the 'Occupied Territories of Azerbaijan Surrounding Nagorno-Karabakh.' [705]

In 2001, *PanARMENIAN.Net* reported that Sirmakes was switching production of some lines of Franck Muller's 'Swiss' watches to Armenia. The same news story hailed a decision that local gold would be used for the company's high-end 18-carat gold watch lines.[706]

With local mines being allocated to the political elite and whose ownership is murky, at best, and Nagorno-Karabakh's mining sites being exploited in defiance of international law, Sirmakes' apparent patriotism brought Franck Muller into the realms of corporate disrepute of those firms who utilise blood diamonds or child labour.

While Sirmakes pursues profits in the territory, one million people are denied the opportunity to return home.[707]

As the international spotlight on corporate complicity moves away from its focus on Palestine, the co-founder and CEO of a luxury brand such as Franck Muller Group will find himself guilty of violating the international law, the Geneva Convention and Additional Protocols, and dealing with illegal exploitation of the natural resources in an occupied territory where the granting of mining rights is notoriously corrupt.

Interesting times when this happens.

Yet its not just Armenian companies and ethnic Armenian businessmen who have established themselves in Nagorno-Karabakh.

We see plenty of evidence of United States construction machinery giant Caterpillar, whose name appears on a United Nations High Commissioner for

Refugees blacklist for its Israel-connected activities. Baku complained to the United Nations for Caterpillar's willingness to undertake the same in Nagorno-Karabakh.[708]

Chairman and CEO Jim Umpleby heads a firm considered the world's largest construction equipment manufacturer. Yet the search for profits has been enough to take it further than Israel and Nagorno-Karabakh. In March 2017, United States Federal authorities searched its corporate offices, after years of controversy surrounding suspect accounting practices.[709] By 2018, the Internal Revenue Service had increased Caterpillar's tax penalty to $2.3 billion,[710] more of a concern in Deerfield, Illinois, perhaps, than the morass it is helping dig in Nagorno-Karabakh.

Other multinationals are also profiting. Also blacklisted for its activities in Palestine was Airbnb. Under international pressure the firm withdrew from Israeli-Occupied Territories, but continues to list properties in Stepanakert, Shusha and others. The company allows bookings in 'Artsakh', while the map shown in its website is Nagorno-Karabakh.[711]

A host of Western telecommunications giants have also claimed Nagorno-Karabakh's airwaves at various times. Orange Armenia began commercial operation in 2009 and referred to the territory as "Artsakh", providing roaming services through a special agreement with Nagorno-Karabakh telecom. Paris headquartered Orange also operates in Western Sahara.[712]

Britain's Vodafone would prove as ethically challenged as its French competitor, indeed more so. In Armenia, MTS-Vodafone operates through VivaCell-MTS. In addition to providing services, VivaCell-MTS supports nationalist events and fundraisers.[713] Vodafone CEO Nick Read does not just see his company succumbed to the 'Is it right? test but allows it to become a corporate cheerleader for defiance of United Nations Security Council resolutions and international law.

Armentel, a subsidiary of Russian brand, Beeline, is another. It began providing mobile and Internet services to Nagorno-Karabakh in 2002.[714]

The application of the Bruges Declaration and United Nations Guiding

Principles on Business and Human Rights with regard to Nagorno-Karabakh is also an active issue. In March 2017, the Prosecutor General's Office of Azerbaijan announced that it had launched an investigation into foreign companies operating in the breakaway region over illegal economic activity.[715] In April 2018, it was announced that Baku was pursuing criminal charges against companies that were engaged in illegal mining in the territory.[716]

It is clear that occupying powers and, indeed, individual companies have humanitarian law obligations related to economic activity in situations of occupation. White collar activities in the territory strengthens the occupation and defies human rights. The latter relates to the one million Internally Displaced People in Azerbaijan, those driven out of Nagorno-Karabakh, and, ironically also to those living in the territory today as the proceeds from mining and other economic activities are retained almost exclusively by a political and business oligarchy.

"Is it right?", was Obama's litmus test. And on that measure, and indeed the Hague Regulations and United Nations Guiding Principles on Business and Human Rights in 2011, some giants of the corporate world are still found wanting. They are hypocrites.

Two of those content to ignore international norms and the law are Crédit Agricole's chairman Dominique Lefebvre and CEO Philippe Brassac. While there has been a clear shift towards companies that can create the highest business value while maintaining the highest ethical and governance standards, their organisation is understood to have paid a $800 million fine to settle charges over Iranian sanctions-busting.[717] Others report a major "suspicious transaction case" is diplospeak for something untoward, as does a European Central Bank fine for breaching its rules on "how certain capital items should be classified."[718] These cases and others, well reported in the international media, suggest a certain chicanery.

The link between Montrouge and Yerevan began with Crédit Agricole becoming the largest shareholder of the Armenian ACBA Crédit Agricole Bank, along with another subsidiary Crédit Agricole Leasing & Factoring. The

relationship, as Kohelet Policy Forum observes, has rolled across the border into Nagorno-Karabakh: *Through its Armenian companies, Crédit Agricole actively aids Armenian settler initiatives. ACBA Crédit Agricole sponsors the Hayastan All-Armenian Fund telethons in support of "both Armenians" and collecting funds for infrastructure development and settlements in Nagorno-Karabakh. The fundraisers helped to collect tens of millions of dollars. Crédit Agricole has been involved in numerous other projects to help Karabakh settlers.*

Moreover, in the last escalation of fighting with Azerbaijan in April 2016, ACBA Crédit Agricole announced that it would annul loan obligations of the families of Armenian soldiers killed in fighting for the occupied territory.[719]

Judged either alongside United Nations Security Council resolutions 822, 853, 874 and 884, the Hague Regulations, or the United Nations Guiding Principles on Business and Human Rights, Lefebvre and Brassac have allowed their CAC 40 giant to run afoul of Obama's simple "Is it right?".

For good measure it has fully established itself in a market where money laundering is inherent to the trading process and with a customer base whose major operators includes arms traffickers, human traffickers and sex barons, global drugs barons and a political elite who are the richest figures in the territory. Good company to keep.

The Kohelet Policy Forum highlights a number of other major corporate partners in Nagorno-Karabakh. One prominent European corporate name is that of Jürgen Schachler, CEO and Chairman of the management board, Aurubis AG, the largest copper producer in Europe and second largest in the world. Hamburg-based Mr. Schachler and his company have been culpable in the rape of natural resources in the territory, undertaken in the face of a wealth of international law which prohibits it. According to the report 'Who Else Profits': *For almost two decades, Aurubis has been actively involved in copper and other mineral extractions in Nagorno-Karabakh, becoming one of the biggest international partners of the Nagorno-Karabakh/Armenian industrial complex. Annually, Aurubis purchases and imports 10,000 metric tonnes of blistered copper from the Armenian conglomerate Vallex Group...*[720]

Another European mining firm profiting from its association with Stepanakert is Denmark's FLSmidth, under CEO Thomas Schulz. The group's own website eulogises its values: *Over the past 135 years, FLSmidth has developed a business culture based on three fundamental values: Competence. Co-operation. Responsibility. In strict accordance with these values, we have earned the trust of our shareholders, customers, business partners, co-workers, suppliers, employees and the communities in which we live and work.*[721]

No space there for Schulz' relationship with the Vallex Group on Nagorno-Karabakh's most important new mine, at Kashen. Nor the company's expansive work in Western Sahara.

There is a particular repugnance to people and companies who profit from war. Perhaps the first well publicised and particularly despised profiteers who made fortunes during the American Civil War, were the so-called "Shoddy" millionaires who allegedly supplied the Union army with faulty uniforms made from reprocessed "shoddy" wool and cardboard shoes that would dissolve when the soldiers marched in water or mud.[722]

There have been plenty of individuals and companies who have negated any ethical concerns in the Caucasus.

In seeking to make a profit in Nagorno-Karabakh, these international firms are each in their own way helping to corrode the international system. They strengthen the resolve of the administration in Stepanakert. They support the kleptocracy of the few who hold all the territory's major financial assets. And their support upholds a system which, in defiance of international law, continues to hold one million Internally Displaced People in limbo.

In January 2018, the United Nations Human Rights Council published an interim report on companies engaging in business in Israeli occupied territories.[723] It did not name all 206 companies that are provisionally listed, stating that, at that point, only 64 of those had been contacted and been invited to respond to the allegations against them. A full blacklist will only be released when full consultations have been completed.

The Council will have no power to apply sanctions or punish those eventually

named. However, the list will certainly generate moral pressure with consumers and investors, and in the media. Many major firms have been made nervous by the effort, which has also been condemned by Israel and the United States.

The United Nations has long been perceived as providing something of a bulwark for Palestinians against the might of Israel. This latest United Nations Human Rights Council effort is a tangible effort to prevent Tel Aviv's further encroachment into a rump Palestine and further impede a future peace.

Yet parallel realities exists in many parts of the world. Nagorno-Karabakh represents one such example. Equal in international law and just as intractable.

Only there is a tangible difference that gives Nagorno-Karabakh an importance that can perhaps be adjudged to merit the attention that Palestine receives. Both occupations have generations of vast numbers of displaced persons. Both cause enormous geopolitical fault lines that inhibit broad international consensus and prevent millions enjoying the levels of socio-economic development that underpins their human rights.

One quite key difference exists though. Gaza is often referred to as the world's largest open-air prison. The West Bank exists largely under a stage of Israel-siege. Meanwhile Nagorno-Karabakh's grey area status and willingness of political oligarchs to enrich themselves has created a ground zero for international crime.

The global brands that uphold Nagorno-Karabakh's status quo through their willingness to trade with the territory are attempting to turn a profit within a situation that has huge international ramifications. In a highly interconnected world, made up of many distinct but related systems – environmental, social, economic, technical and political – the support that these large corporations provide equates to unexpected impacts. That status quo helps Nagorno-Karabakh sustain its isolation and, with it, provide the grey area that feeds the trade in illegal arms, a flood of Afghan heroin across the West, human trafficking, a vast sex industry, money laundering and the profiteering of Yerevan's criminal elite.

"A man without ethics is a wild beast loosed upon this world," said French philosopher Albert Camus.

TWENTY-TWO

MISSISSIPPI BURNING

Over in Stepanakert, response was largely muted. Many in Nagorno-Karabakh view the territory as the legitimate power base of its most famous sons, Robert Kocharyan and Serzh Sargsyan. A small protest in Renaissance Square was not allowed to gain any traction, a group of conscript soldiers deployed to move a huddle of 'My Step' protesters, comprising mainly of young people.[724]

Hardly a hotbed of anarchy at the best of times. More a home of lethargy. Along Mkhitar Gosh Street, outside Artsakh State University, students organised a march in support of the impending Velvet Revolution. These few dozen students were disbursed. The organisers of the effort were suspended from attending lectures at Artsakh University.

The town's small army of *babushkas*, older women who add to their modest pensions as town cleaners, were kept busy cleaning up 'My Step'-supporting graffiti that popped up around Stepanakert overnight.

While the administration in Nagorno-Karabakh remained quiet, and the territory's people were leaned upon to do the same, across the Lower Caucasus Mountains something new was afoot.

Peaceful mass protests have brought a watershed moment to Armenia, a small landlocked, post-Soviet nation. An opposition politician who harnessed a

revolution has lost a vote in parliament to become prime minister, but his movement has ousted Armenia's leader and raised hopes of free and fair elections.

When Nikol Pashinyan, 42, set off on his 'My Step' protest march on March 31 from Armenia's second city Gyumri, sporting his trademark khaki T-shirt, only a couple of dozen people joined him, and they were mainly journalists.

By the time the MP and ex-journalist had reached the capital Yerevan on April 13, thousands more had joined his movement. For many Armenians this is the first time since independence from the Soviet Union in 1991 that they are able to believe in a better future.

On May 1st, 2018, the *BBC* reported on a somewhat astonishing turn of events in Armenia: *At the end of his second presidential term Serzh Sargsyan was about to become prime minister – a new and enhanced role, after changes to the constitution were passed by a 2015 referendum marred by widespread irregularities.*

It was a miscalculation, because many Armenians regarded his move essentially as a third presidential term by the backdoor.

Tens of thousands, mainly students and high-school children, poured on to the streets chanting "Make the step to reject Serzh".[725]

On May 8th, 2018, the man who spearheaded weeks of protests in Armenia was chosen to be the country's new prime minister.[726] He carried a weight of expectation for a turnaround in the impoverished former Soviet Republic. Pashinyan faces an array of challenges, not least how to overcome the political and economic omnipresence of the long-established ruling elite.

"Serzh enjoyed the war," says a Western diplomat currently serving in Yerevan who, having spent considerable time with then-President Sargsyan during the course of his duties, reveals. "In unguarded moments he speaks of the war warmly, tells anecdotes that betray his fondness of what he considers the good old days."

Noting that the President always appeared wearing shoes that were built up to the point of being Cuban heels in order to compensate for his limited stature, the same embassy official, who asked not to be named, tells of a widely held belief

among Yerevan's diplomatic community that Serzh's impish stature leaves him with a 'Napoleon complex', an overly aggressive and domineering social personality carried to compensate.[727]

Like any politician, Sargsyan is also quite capable of being somewhat economical with the truth. Yet his sheer cojones in discombobulating reality has made the third President of Armenia stand out.

Bonaparte himself said that "History is a set of lies agreed upon".

However the version of history that Serzh peddles puts him well ahead of the curve, even in a Donald Trump post-truth era.

In January 2018, he visited the Strasbourg-based Parliamentary Assembly of the Council of Europe. On January 24th, Armenia-based *NEWS.am* published an article that perhaps even understated the situation: *'Serzh Sargsyan: Unfortunately our efforts eradicating corruption have not borne too great results'.*[728]

The article read: *The efforts that we have made in Armenia towards eradicating corruption, and I ought to say that unfortunately our efforts have not borne too great results, President of Armenia Serzh Sargsyan said while answering the questions of PACE delegates.*

This despicable phenomenon exists in Armenia, as in other countries. As I said, last year we enacted a law to create a corruption prevention commission. This legislation is fully in line with European best standards. Members of the commission are to be elected by the Armenian Parliament after April 9, once the amended constitution provisions come into full force.

As I said, we adopted a law on whistle-blowing and the protection of whistle-blowers. We have criminalised illicit enrichment, and, if my memory is correct, nearly 500 Armenian officials will be required to submit declarations of their assets and income. For a country as small as Armenia, that is a huge number. Armenia's vibrant civil society is making a contribution to exposing, solving and preventing such crimes.[729]

Fast forward six months from Strasbourg and *OC Media* – which receives funding from the likes of the British Government's Conflict, Stability and Security Fund, the European Endowment for Democracy and Open Democracy Russia –

on July 2nd, 2018, reported: *Armenia's authorities are investigating Levon Sargsyan, the brother of Armenia's former President Serzh Sargsyan, along with his son Narek and daughter Ani, for possible tax evasion and illicit enrichment.*[730] By now in Yerevan, after people power had unseated Sargsyan during an attempted bait-and-switch between the Presidency and Prime Minister's post, in order to hold on to power, Armen Sarkissian was now President and Nikol Pashinyan was Prime Minister.

The brothers Sargsyan were facing a challenge. The same *OC Media* article, and a myriad of others across the Armenian media spectrum, have detailed the unravelling in a gargantuan spider's web of illicit dealings.

"The surest way to remain poor is to be an honest man," said Bonaparte, a belief that the Lilliputian now ex-President of Armenia seemed to have taken to heart.

In a summary of assets presented to Armenia's Central Electoral Commission in 2013, *The Armenian Observer Blog* noted that he listed his car, a 1992 Mitsubishi Montero, a 92 square metre building in Stepanakert, a collection of 32 paintings by top Armenian artists, statuettes and sculptures from the 18th to 20th centuries, his Presidential salary paid into 'Araratbank', and a further $267,000 in different items.[731]

Serzh had not remained poor. Perhaps he has, relatively speaking, to his $8 billion predecessor, Robert Kocharyan. But relative to everyone else, though, he is a gilded prince of Armenia.

Neither has his family remained impoverished. His lookalike brother Levon. Their wives. Their children. Their associates.

All were born, it seemed, with a remarkable business acumen.

Everyone became a millionaire: Businesses they were associated with quickly won government contracts. If not imbibed with a private sector Midas touch, many were appointed to public positions that far exceeded their qualifications, or indeed their intellect.

Levon, described by one Italian diplomat serving in the Armenian capital as "having as much substance as Lavash", referring to the Caucasus regions' famous plain unleavened flatbread, has overcome a startling lack of intelligence to become a successful captain of industry.

In July 2018, an arrest warrant was issued by Armenia's Special Investigative Service for Levon on charges of illegal enrichment and other financial irregularities.[732] Some may compare the ex-President's brother with a meal accompaniment best dipped in *Qrchik* soup, but the Special Investigative Service had uncovered some well-construed fraud.

Levon was on the board of the Pyunik Charitable Foundation, which owns two fifths of JLJ Project Company, that had been engaged in rampant financial chicanery. Levon and his son and daughter, Narek and Ani, had been connected with a secret $6.8 million slush fund, siphoned off from JLJ.[733]

Tattooed and unpleasantly arrogant, considering himself an untouchable prince of the Sargsyan dynasty, Narek is a particularly nasty offshoot of the family, who has also been charged with kidnapping and assault.[734] Among the general population he is widely derided as having used his notoriety to remain above the law, not least to prey on young female students attending Yerevan State University. He would be arrested in the Czech Republic by INTERPOL in December 2018.

As for Levon, he had been tipped off by a Special Investigative Service insider that an arrest warrant was coming, and skipped the country.

When the patriarch of the family, Serzh, failed in his attempt to cling on to power, the unravelling of the Sargsyan family business began. All feared what was going to happen next. How far their fortunes would fall.

Yet for all the difficulties that the clan were set to face, nearly everyone feared most for, arguably, the least known of the brothers. For there is a third. If the Sargsyan family represent Armenia's family of black sheep, then the blackest member of the clan is Alexander 'Sashik' Sargsyan.[735]

Alexander has been to his family what Fredo represented to the Corleones in *The Godfather*. Less intelligent than his brothers – which says a lot for a sibling of Levon – Alexander enjoyed little power or status, even when Serzh was at his zenith.

In *The Godfather*, Fredo moves to Las Vegas and is delegated as a nominal Corleone family representative to deal with the gangster-types who own the

casinos business. Like Fredo, Alexander attracted trouble for himself and his family.

First he went into what appeared to be a self-imposed exile following a 2002 murder in Yerevan of a Russian crime figure. Then he brought unwanted attention to the family empire when attracting questions from America's Federal Bureau of Investigation for buying property in the United States with telltale briefcases stuffed with cash.[736] Also for leaving a trail of unexplained cash purchases reaching in the millions of pounds in Britain, on property and luxury goods, Alexander was later recalled to Yerevan.

Of course, hailing from the ruling family, there was his 'legitimate' share of the empire. He was partnered in one of the country's main fuel station businesses, acquired through Robert Kocharyan.

The company that he keeps also draws further comparison with the wimpish Fredo. Alexander was appointed as something of a family liaison with one Armen 'Pzo' Kazarian. The latter would become a player in the Nagorno-Karabakh story. *Crime Russia*, an investigative organisation that set its roots in Hong Kong in order to remain beyond the reach of the Kremlin, stated of the relationship that there are: *...ties between Sashik Sargsyan and the criminal world – in particular, with Armen Kazarian (Pzo) serving as an intermediary between the President's brother on the one hand and 'Armenian mafia' and Russian thieves-in-law on the other hand.*[737]

Pzo's criminality in the United States is highlighted elsewhere in this book, not least a scam that skimmed millions from the country's Medicare programme. He was sentenced to 37 months in jail, incurred a large fine and saw the confiscation of property, including a $600,000 house in California.[738]

On his post-incarceration return to Armenia, the distinctive mono-browed Alexander, and Pzo, with his beaked face and awkward round paunch, forged an alliance that cannot be considered unlikely.

Alexander had the connections. Pzo was a man-about-town. Pzo would be to Alexander what Moe Greene was to Fredo Corleone.

Yet instead of desert casinos in a new town called Las Vegas, it would be the green pastures of Nagorno-Karabakh that the duo cast their many business ventures. The Armenian President's little brother became Karabakh's 'Mr.

50%'.[739] Any significant business operating in the territory were touched. They also dabbled in less legitimate enterprises, including arms deals, illicit drugs and mining ventures.

The unravelling of the Sargsyan web would also hit him hard.

On July 4th, 2018, United States-based newspaper, *Asbarez,* reported that: *Former President Serzh Sarkisian's younger brother Aleksander and his son, Hayk, were detained Wednesday by Armenia's National Security Service. According to the report Aleksander Sarkisian and his son were escorted from the former's Yerevan residence by the head of Special Investigation Service of the National Security Service, Mikael Hambardzumyan, and were taken into custody.*

The National Security Service agents confiscated several bags from the residence containing firearms.

Last week, Aleksander Sarkisian, who is known as "Sashik" and Serzh Sarkisian's bodyguard, Vachakan Ghazaryan were taken into custody on weapons possession charges. Sarkisian was released shortly. Last Wednesday, Ghazaryan was formally charged with illegally enriching himself, and investigation into $2 million cash seized from him is still pending.[740]

These have been difficult times for the family, not least its erstwhile boss. Napoleon's complex web has begun to come apart.

Can corruption be controlled by reform or is it so much the essential fuel sustaining political elites that it will only be ended – if it ends at all – by revolutionary change?

The answer varies according to which nation one is talking about. However, particularly for those who have descended into kleptocracy, it is surely too late to expect incremental change for the better.

A question remained over what Pashinyan could actually do, facing a hostile pro-status quo parliament, and served by an administration dominated by two decades of Kocharyan and Sargsyan appointees. In December 2018, snap Parliamentary elections offered some respite when Pashinyan's electoral bloc won a landslide victory, providing him with political authority in the post-Soviet country.[741]

Efforts by the country's legal authorities to unpick the Sargsyan family business will be a litmus test. Success or failure to discombobulate their web of quasi-legal and outright-criminal enterprises will perhaps define the rise of a new Armenia. Or simply a continuation of business-as-usual.

Across two decades Armenia and Nagorno-Karabakh have been subject to a hierarchical system of norms. Will that long-settled governing system accept an efficacious new order?

Looking on at this unfolding process, and themselves pondering this question, would be those other beneficiaries of the long-standing status quo. The nation's freely-operating criminal elite. They have been responsible for turning not only their nation, but also Nagorno-Karabakh, into mafia territories, the nexus of a supply chain providing prostitutes and drugs to the West, and the illegal arms that fuel trouble spots across the world.

Also looking on would be Christina and Alia. They are just two of tens of thousands of the victims of human trafficking and the sex industry, a booming business that has decimated towns and villages of Nagorno-Karabakh as their young girls and women have been systematically rounded up.

Allied in their hopes for a seamless and unchanging field of play are surely a rogues gallery of foreign operators: Major General Mohammad Ali Jafari, Brigadier General Hossein Salami and Major General Qasem Soleimani of Iran's Revolutionary Guard. Hezbollah leader Hassan Nasrallah will count among them, as will the likes of Afghan drug lords like Haji Adam and gun runners Moosa Bin Shamsher.

Serzh, Levon and Aleksander Sargsyan have woven an extraordinary web of crime and corruption. The success, or not, of efforts to unpick this kleptocratic nightmare will, perhaps, prove an early indicator if the new administration in Yerevan has the means, or indeed the intention, to restore the lost promise of the nation.

This will also provide evidence as to the future of Nagorno-Karabakh.

Visiting the territory, early one morning, as I peered over a ridge, I witnessed uniformed men passing volumes of heroin across the remote Khodaafarin Bridge,

one of many such crossing points over the river. This would travel through Nagorno-Karabakh, now a back door channel into Europe for an increasing volume of opiates.

While this enriches criminals and crime organisations, helps fund the Revolutionary Guard's corrosive global activities, and supports Afghanistan's egregious drugs trade – along with the Taliban – there can be no suggestion that the men that Nagorno-Karabakh effectively belongs to, can be in ignorance of this practice.

Based upon everything we know about their activities, translating political power into business opportunities, and with it generating personal fortunes, then only one assumption can be made.

While Serzh Sargsyan and his brothers have been in focus during the post-Velvet Revolution summer of 2018, Robert Kocharyan, too, has enjoyed his share of collateral damage due to the ruling elite's loss of authority.

In July 2018, three months after mass protests against corruption and cronyism had forced a power change in the ex-Soviet country, investigators charged Kocharyan.[742] He was arrested and spent some time behind bars. In December 2018 an Armenian court of appeal ordered him detained again, on charges of attempting to overthrow the constitutional order.[743] This related to unrest across Armenia in February and March 2008 when the opposition staged demonstrations against Presidential Election results. The protests were dispersed and ten people were killed in clashes with police.[744]

For Kocharyan personally, this would seem the beginning of his gradual undoing.

Having accrued a reported $8 billion fortune from his time 'leading' the impoverished peoples of Nagorno-Karabakh and Armenia – perhaps even inspiring more ire among ordinary people than Sargsyan – Kocharyan told *Yerkir Media Television* that the charges against him were politically motivated. He added that he was ready to spend time in prison. "These charges are fiction, fabricated, unjustified and have a political implication," he commented to reporters.[745]

While Washington has ploughed $2 billion in aid into Armenia in search of a partner,[746] Moscow has an even bigger stake. Russia has a military base and

patrols the border with Turkey.[747] Armenia is a member of President Vladimir Putin's Eurasian Economic Union[748] and is part of Russia's regional military alliance.[749]

The Kremlin considers Armenia a satellite state. Part of its informal empire. The instability provided by Nagorno-Karabakh has kept Russia's southern border with the Caucasus region helpfully unstable, and provided a ready market for its arms and munitions.

One may remember the movie *Mississippi Burning,* based upon real events in the United States. During the trial of Medgar Evers' murderer, Byron de la Beckwith, Mississippi Governor Ross Barnett interrupted the testimony of Evers' widow to shake Beckwith's hand in solidarity.

This not so subtle act eliminated whatever slim chance there might have been that jurors would have convicted Beckwith.

On August 31st, 2018, President Putin very publicly telephoned Kocharyan, to congratulate the latter on celebrating his birthday.[750] If this had happened before, it certainly had not been publicised.

"President Vladimir Putin and Armenia's former leader Robert Kocharyan have long had good relations, which are unaffected by the current developments in Armenia," Kremlin Spokesman Dmitry Peskov told reporters.[751]

From Putin it was a *Mississippi Burning* moment. No matter what the crimes of Kocharyan and the political elite in Armenia and Nagorno-Karabakh, his embrace was an unambiguous statement.

The implication is absolutely clear.

ENDNOTES

Introduction

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GLOSSARY

post-haste	with great speed or immediacy
ad valorem	in proportion to estimated value of the goods
akhperutyuns	mafia *(Armenian)*
Artsakh	self-proclaimed Armenian regime in the South Caucasus, internationally recognised as part of Azerbaijan
Babushka	old woman or grandmother *(Russian)*
Bonyad	foundation, a charitable trusts in Iran
Bratva	mafia *(Russian)*
cause célèbre	a controversial issue that attracts a great deal of public attention *(French)*
chai	tea made with spices and usually with milk and sugar added
de facto	in fact, whether by right or not
et al	short term for et alia *(Latin),* meaning "and others"
Zhingyalov hats	bread stuffed with herbs
jiggy-jiggy	Armenian slang for sex
laissez-faire	policy of non-interference, specially of abstention by governments from interfering in the workings of the free market
Lavash	soft, thin unleavened flatbread made in a tandoor
Jihad	holy war (*Arabic*)
Karabakh	black garden (*Turkish*)
Khan	title given to rulers and officials in central Asia, Afghanistan and certain other Muslim countries
Koghopowt	theft (*Armenian*)
Komsomol	political youth organisation in the Soviet Union
Lode deposits	deposit of metalliferous ore that fills or is embedded in a fissure (or crack) in a rock formation or a vein of ore that is deposited or embedded between layers of rock
Nagorno	mountainous (*Russian*)
Oghi	spirit distilled from fruit or berries

prostituta	prostitute (*Spanish*)
Qrchik	Armenian type of soup
raison d'être	a reason for existence
t'alan	plunder (*Armenian*)
tailings	residue of something, especially ore
Trteruk	sweet bread
Vor	Mafia Don (*Russian*)
vory v zakone	thief in law *(Russian*)
Westphalian	principle in international law that each nation state has exclusive sovereignty over its territory
whiskería	Spanish name for a brothel
wraps	cover or enclose in paper or soft material
Yakuza	mafia (*Japanese*)

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